ANNUAL REPORT
2014
SASKATCHEWAN TRANSPORTATION COMPANY
STC
The Bus Company

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CORPORATE MANDATE

The Saskatchewan Transportation Company (STC) is a provincial Crown company which provides **SAFE, AFFORDABLE** and **ACCESSIBLE** bus passenger and freight services to Saskatchewan.

2014 CORPORATE PROFILE

MISSION

To provide value to Saskatchewan residents with convenient, attractive, safe, clean, comfortable, courteous, environmentally friendly and reliable passenger and freight transportation services.

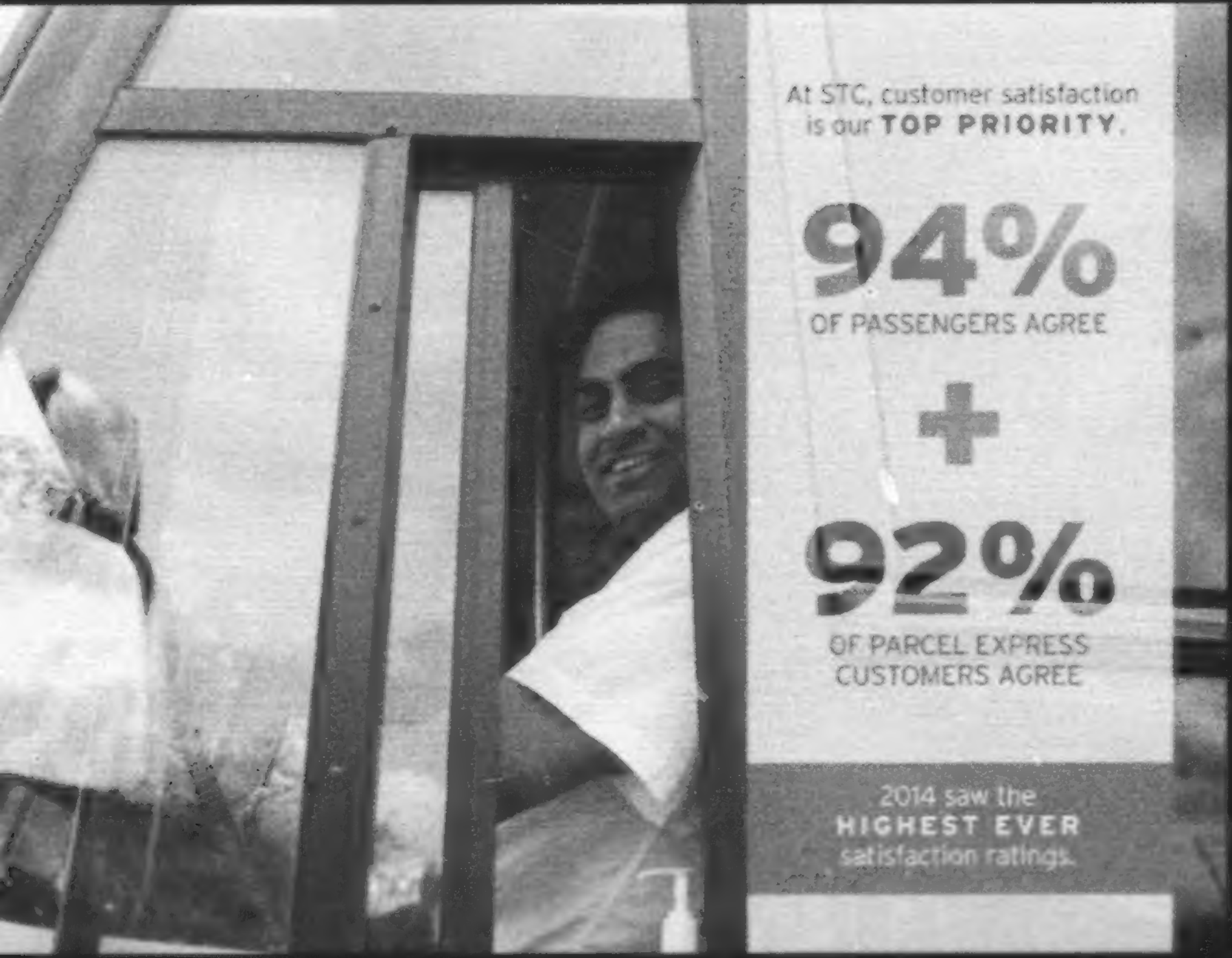
VISION

To be the best passenger and freight transportation Company in Canada.

VALUES

All business activities are conducted in a manner that is:

- Honest
- Dependable
- Innovative
- Respectful
- Socially and Environmentally Responsible


At STC, customer satisfaction is our TOP PRIORITY.
94%
OF PASSENGERS AGREE
+
92%
OF PARCEL EXPRESS CUSTOMERS AGREE
2014 saw the HIGHEST EVER satisfaction ratings.

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 31, 2015

To the Honour
The Honourable Vaughn Solomon Schofield, Q.C.M., LL.M.
Lieutenant Governor of the Province of Saskatchewan

May It Please Your Honour

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2014, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by the Treasury Board and have been duly certified by the company's auditors.

Honourable Jennifer Campeau
Minister Responsible for Saskatchewan Transportation Company

MESSAGE FROM THE MINISTER

Upon becoming of my appointment as Minister responsible for the Saskatchewan Transportation Company (STC) in April 2014, I was eager to work with this organization to ensure that it was achieving its mandate to "provide safe, affordable and accessible bus passenger and freight services to Saskatchewan."

Customer service remains key to STC for both their passenger and parcel express services. A passenger satisfaction rating of 94 per cent was attained in 2014, as was a parcel express rating of 92 per cent. Both of these ratings are at very high levels for the Company.

STC receives an annual subsidy from the Government of Saskatchewan and continues to work to ensure these funds are used in an efficient manner. On January 1, 2014 STC discontinued two routes as part of efficiency measures taken in 2013. These route discontinuations were in response to ridership changes in neighbouring jurisdictions dating back to 2011 that continue to have negative impacts on ridership in Saskatchewan.

The organization continues to promote a "Culture of Safety" as part of their support for Mission Zero. Monitoring, reporting and training have all had a positive impact with total collisions, injuries, and days lost to be 5% per cent in 2014.

Partnerships with private operators, local agencies and volunteer organizations expand the network that STC is able to provide in Saskatchewan. STC will continue to pursue on the mandate by working with its partners to provide Saskatchewan residents with a safe, cost effective bus service in the most efficient manner possible.

The company provides various behavioral considerations for many of us to travel to shopping, and visiting friends and family. It is the shipping means for many businesses, universities, health services, music qualities, individuals and others. I look forward to working with STC as they continue to provide valuable services to many communities across the province. I thank you to the Board of Directors and staff for the work they complete each day in service to Saskatchewan citizens.

I am pleased to present STC's 2014 Annual Report.

Honourable Jennifer Campeau
Minister Responsible for Saskatchewan Transportation Company

MESSAGE FROM THE CHAIR

I am pleased to announce that for the second year in a row, STC maintained a passenger satisfaction rating of 98 per cent. Parcel customers also showed their appreciation with a 92 per cent satisfaction score. These results highlight the value of the bus personnel and freight services provided to customers and the dedication of the staff.

These excellent ratings came during a year of many challenges. Ridership dropped by over five per cent, and permit express violations declined. Much of this can be attributed to industry changes in Saskatoon's Canada Post region back in 2013. These changes continue to have an impact as fewer connection points are available to transit-using jurisdictions for passengers and shipments.

In addition to cutting costs through such actions as route reconfigurations, STC focused on opportunities throughout 2014 to encourage new and repeat riders. In March, members of STC's employee loyalty program, Ride Rewards, benefited on an increase that year's offer. The results of the offer included over 2,400 new members and over 4,800 riders. Both the spring and fall Senior Seat Sale were extended with over 30,500 seniors taking advantage of the discounted fares. Finally, the month Youth Promotion in July and August saw just under 8,900 riders.

Facebook played a key role in the advertising plans for STC in 2014. In its first year of full organizational, STC reached over 3,600 followers. Evidently, information on service and customer service relevant and engaged with enjoyed the benefits of advertising beyond the traditional level.

A frustration of the key benefits of shopping with STC continued in 2014. The convenience offered by pick-up and delivery options and same day/weekend options were the focus of messages to both individual and business shoppers delivered through social media, advertising and verbal media.

Recruitment and retention continues to be a challenge. STC's engagement with staff is growing and the commitment to safety remains strong. The layoffs and reductions in our fleet signaled a very successful year driven primarily by the success of work completed in this area.

On behalf of the Board, I would like to thank the STC employees for their hard work and commitment. 2014 was a year of both challenges and successes. We look forward to continuing to provide a valuable Bus service to the people of Saskatchewan.

Jonathan Abramowitz
Chair of the 2014 Board of Directors

MESSAGE FROM THE PRESIDENT

The following annual report focuses on the increased customer value that ruling that STC once again received for both passenger and parcel express services. These positive results show the value of the intercity bus passenger and shipping services provided by STC. The strong satisfaction also illustrates that new customers – both passengers and shippers, are likely to become repeat users of the services.

Research focusing on non-riders highlighted the challenges the Company faces with moving more people to consider STC as a travel option. Price perception, on to the rank of convenience and the length of trips combined with a lack of awareness of the extension and options to reduce the difficulty of getting new people to try STC. Our challenge remains to be that of reaching out to new customers with promotions that build awareness.

Finding new riders and increasing the number of times they travel will be important for STC to stem the declines in ridership. Ridership dropped by 5.28 per cent in 2014. Changes in weight-mile jurisdictions that began in 2013 continue to make national travel even difficult. As mentioned in the first quarter, on January 1, 2014 two enforcement points (Eastend-Swift Current/Kennedy and Regina Lajeunesse) were discontinued as part of cost saving measures taken by the Company that began in 2013.

An ongoing focus on promotions such as the Frequent Rider Card which was rolled out by over 16 per cent in 2014, encourages people to save more when travelling. Senior Seat Sales campaigns over 20,000 seniors during May, June, September and October. The new format for the Youth Promotion saw more people between 12 and 25 take advantage of this first ran during July and August.

Ride Rewards and Facebook were key tools in 2014 for spreading the word about promotions and services. Ride Rewards members received access to an exclusive flash sale in March and numerous opportunities to win throughout the year. The year ended with over 6,600 members in the database.

2014 was the first full year for STC's Facebook page. Followers grew from just 42 on January 1 to over 3,400 by December 31, 2014, and information on promotions, updates on services and timely responses to customer service requests have built loyalty and engagement among followers and helped build new traffic to STC's website.

A comprehensive research project to determine the demand for specialized services into Regina and Saskatoon from growing communities surrounding these cities was completed during the year. Consultations with communities and citizens were undertaken to identify the opportunity for such a service. Schedules and price proved to be the key decision points with expectations beyond what STC could provide. Although a commuter service offered by STC is not a option at this time, we truly appreciate the participation and feedback received from citizens throughout the process.

Two new Park and Ride locations added convenience for travel between Saskatoon and Prince. New agencies were set up in Regina and Saskatoon (introducing the word for riders to park downtown. Two new outlets, combined with Wi-Fi access makes STC a great choice for Saskatoon travel between the two cities.

An on-line investor advertising and social media implement has expanded website traffic by 14 per cent. Demand for online tickets continued to grow in 2014, and STC responded by increasing the number of communities available for online ticketing to 100. Over 1,900 e- tickets were sold in 2014.

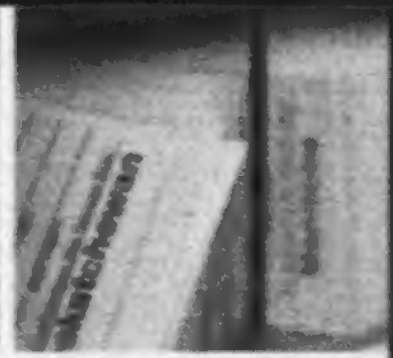
Other revenues from charter activity and freight coach work helped to offset some of the declines felt in passenger and parcel express. The primary focus for STC is the delivery of intercity bus passenger and freight services. However charter activities can provide additional revenue when fleet is available. Foreign coach maintenance is another area that can drive additional revenues when maintenance staff are available.

Fleet renewal continued to focus on the purchase of used motor coaches. In 2014, four motor coaches were retired and replaced through the purchase of newer used motor coaches, all with the standard amenities of WiFi, entertainment and reclining seats.

[illegible] was a year with many challenges and events. We have at [illegible] continued to strive towards delivering our customers renowned No1 bus services available. We are proud of the customer satisfaction ratings we received in 2006. I want to thank the staff and agents for all their hard work and commitment. They are the network that brings Londoners together.

Shaun Grice
President and Chief Executive Officer

STC's strategic goals are focused around four pillars:
CUSTOMER, **FINANCIAL**, **PEOPLE** and **INNOVATION**.



CUSTOMER (PAGE 8)

STC is a customer-focused business with high service standards, which was rewarded with a 94 per cent passenger satisfaction rating and a 97 per cent parcel express satisfaction rating.

FINANCIAL (PAGE 12)

STC requires assets to fulfill its public policy role; therefore, financial, cashflow, operational efficiencies and economic generation are key areas for the organization.

PEOPLE (PAGE 14)

STC's team of professionals is critical to the organization's success and attainment of the Company's vision of being the best passenger and freight transportation company in Canada.

INNOVATION (PAGE 18)

STC is constantly looking at new ways to provide valuable services to passengers and freight customers across Saskatchewan.

CUSTOMER

Customer satisfaction remains high with passengers at 94 per cent and parcel express satisfaction growing to 92 per cent.

CUSTOMER SATISFACTION

The Saskatchewan Transportation Company (STC) takes great pride in providing passenger and freight services to communities throughout Saskatchewan. Each year, the Company surveys both passengers and users of express customers to see if our efforts in those areas are meeting their expectations. Responses in 2014 highlight that STC's work to improve customer satisfaction is paying off. Passenger satisfaction remained at an impressive 94 per cent and parcel express satisfaction exceeded its target and reached 92 per cent.

PASSENGER PROMOTIONS

Members of Saskatchewan STC's annual loyalty program receive regular emails highlighting STC discounts, promotions and seat sales. The program allows the Company to reach out to participants in a cost-effective and timely manner. In addition to regular monthly draws, Pride Rewards members were treated to an exclusive member's discount in March. Members received a coupon for a $20 one-way ticket for any midnight travel during the calendar month. Members-only deals by over 2,400 riders during the month of the promotion and ridership skyrocketed with the promotion's method over 4,800.

Senior Seat Sales were again offered in the spring and fall. In both cases, the sales were extended for an additional month, providing one of STC's key markets with the opportunity to ride more in 2014. Senior ridership of over 10,500 was recorded during the four months of this promotion.

Changes to the Youth promotion in 2014 saw an reward use by riders 25 years and younger. The promotion was offered in July and August. As well, the monthly pass was replaced by a $20 flat fare. Just under 6,900 riders took advantage of this promotion.

Frequent Rider Cards provide regular adult and student customers with the opportunity to save. The card, which retails for $30, provides the holder with 20 per cent off of all tickets purchased over a year. After filling online and the work began to look continued response to this time their encouragement regular customers. Users of the card grew by 10 per cent over 2013 levels.

After a successful launch late in 2013, STC saw a flurry of activity on Facebook and LinkedIn. These online tools provided access to new customers and drove increased traffic to the STC website. Timely informational content and access to customer service ensured lively interactions on STC's social media channels. Followers of STC's Facebook page grew to over 4,300 by year end from over 2,900.

CTV and STC continued their partnership on the Hometown Tours in 2014. STC provided a shuttle bus to the CTV personnel and crew as it travels to different communities across the province to broadcast the evening news. STC received significant exposure in 20 communities, along with an advertising presence from this agreement.

New route and ride services to Regina and Saskatoon have been implemented to make it easier for people to travel between Regina and Saskatoon, without having to be downtown to catch the bus. This is an added convenience designed to improve the travel option between these communities.

In December, Mayor Ralph Bolton Park in Fort St. Regis became a daily stop on STC's regular schedule between Regina and Moncton. Soundboards and riders will have better access to a fantastic visitor recreation facility.

AMENITIES

Demand for online booking continued to grow. STC worked hard in 2014 to increase the number of locations available for purchase online. Over 100 points of service are now offered through eTicketing on the STC website.

The standardization of amenities combined with most coaches having moveable seating, cup holders and 120V power outlets have been rolled out across much of the fleet as used coaches are purchased and existing coaches are updated.

Wi-Fi is available on 100 per cent of STC's fleet. As more and more riders have access to personal electronic devices, the use of the power charging stations and public Wi-Fi service in the Regina, Saskatoon, and Prince Albert terminals continues to grow.

STC added four high quality and low mileage pre-owned coaches to its fleet in 2014. In addition, one existing coach was refurbished to extend the life of the bus. These purchases and the refurbishment help to maintain the fleet's reliability, access to amenities, and passenger comfort.

ACCESS TO SERVICES

STC has a number of programs to improve the accessibility of its services. By the end of 2014, 35 per cent of the fleet was wheelchair accessible. Passengers with special needs have the ability to book travel with wheelchair accessibility 48 hours in advance prior to travelling.

STC's Attendant Program for Visually Impaired and Disabled Persons allows accompaniment by an adult attendant or a service animal at no additional charge. As well, persons travelling on STC routes for physician-prescribed treatments are able to purchase a Medical Pass for a discounted rate. The pass provides unlimited travel on a specified corridor for a period of 30 days.

PARCEL EXPRESS SERVICES

STC's parcel express service provides shipping services to communities throughout the province. Individuals sending parcels to friends and family and businesses shipping to customers can access cost effective and timely services.

In 2014, in addition to traditional advertising, STC completed sales pitches in Regina and Prince Albert focusing on business shipping. A Quick Drop box was deployed in downtown Regina. The Quick Drop box provides a convenient location for STC customers in the downtown area to drop envelopes and small packages without having to visit the Regina terminal.

ENSURING PASSENGER SAFETY

Safety is a key part of STC's mandate to provide safe, affordable and accessible bus passenger and freight services to Saskatchewan. This is achieved through staff training and equipment maintenance.

In the spring, STC reinstated those operators who reached safety milestones at their careers. Many of STC's drivers have over one million miles with a safe driving record. All buses are installed with global positioning systems (GPS) and onboard cameras, both inside and out, for STC's dispatchers to address safety concerns. In addition, STC requires the certification of all operators in CPR and first aid as part of their training, and recertification is necessary every three years.

STC maintains a high standard of maintenance for its fleet and equipment. Mechanics adhere to a checklist of tests and inspections to the engine and body of coaches on every regularly scheduled service. Major repairs, installations and maintenance work take place at the Saskatoon garage, with the Regina garage performing more routine maintenance and servicing.

902
YOUR WORLD AT HOME
CTV
NEWS
REGINA
WEEKNIGHTS 6

FINANCIAL

STC is serious about the public policy role of the organization and manages the annual grant through financial controls, operational efficiencies and revenue generation.

OPERATIONAL EFFICIENCY

The Saskatchewan Transportation Company (STC) requires an operating and capital grant from Crown Investments Corporation of Saskatchewan (CIC) to fulfill its public policy role. Ensuring the efficient use of these funds drives decisions throughout STC each year. The Company's financial performance is based on its operational efficiency and measured against the grant. STC's operating cost/loss as a percentage of expenditures was calculated at 39 per cent in 2014. This compares favourably to other municipal transit systems in the province that are between 62 and 75 per cent.

STC provides service in a geographically disjunct market and the footprint of the network is a key driver of costs. Although two routes were discontinued on January 1, 2014 (Lucerne/Saint Gabriel/Meadow Lake and Regina/Lafleche), STC still travelled approximately 2.9 million miles (4.7 million kilometres) and served 253 communities in 2014.

Fleet renewal continued its focus on the purchase of used motor coaches. STC's work with Motor Coach Industries (MCI) in 2014 has ensured that vehicle rear access and toilet facilities can now be added to used motor coaches. These steps provided for a greater opportunity to modernize more of the fleet in 2014 without the costly purchase of new buses.

In late 2012 to 2014, STC was able to partner with Greyhound Lines, Inc. in the cost-effective refurbishment of coaches needing refreshment. Over the three-year project, four motor coaches from STC's fleet were refurbished in Mississippi. This refurbishment improved the remaining life of these coaches and added the standard amenities that passengers have come to value. Greyhound Lines, Inc. has discontinued its refurbishment program and the final refurbishment was completed in September 2014.

Operational efficiencies using technology included a Point of Sale (POS) pay card integration and a payroll system integration. The pin pad integration brings a more convenient customer sales experience, while decreasing manual processing for staff and agents during the transaction and reporting processes. The payroll integration reduces data for month end completion and manual data entry.

OTHER REVENUE

Diversifying revenue beyond passenger services helps STC to combat the annual subsidy. Profits from parcel express, leasing company facilities, and signage on STC property help offset the passenger service losses.

Package coach and charter revenues have performed ahead of 2014 targets. Charter revenues are up $49,500 over 2013 levels bringing in $258,142. Package coach revenues are up $84,000 over 2013, mainly due to an increase in package coach rates adjusted earlier in the year and increased fuel prices. Improving the condition of the fleet continues to be a significant importance in the growth of these revenues.

FINANCIAL CONTROLS

Accurate public financial reporting is very important at STC. As part of the Company's direct internal financial and reporting controls, CEO/CFO Certification requires the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) to certify that investors, public, borrowers/creditors and all operating effectively, with no material weaknesses. In place since 2009, this certification process is evidence of the importance of accurate public financial reporting to STC.

Canadian Securities Administrators (CSA) National Policy NP 27-1 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* guide STC's approach to corporate governance. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices. A copy of STC's Corporate Governance Framework can be found later in this annual report.

PEOPLE

STC's team of professionals work every day towards the achievement of the company's vision with a focus on customer service and safety.

EMPLOYEE COMMITMENT

The Saskatchewan Transportation Company (STC) regularly completes an employee survey to provide a mechanism for feedback and dialogue. The improvement in employee engagement in 2014 can be attributed to a number of initiatives. Regular communication tools such as quarterly meetings, the employee intranet site SunStop and bi-monthly staff newsletter SUNdries News are used to communicate plans, company standards, and to keep staff informed. Employee functions like annual summer barbeques provide staff with an opportunity to grow as a team while raising money for community outreach initiatives.

Meetings with groups such as the Mechanics and Drivers help management to reinforce the importance of inspections and safety procedures and to work with these groups to jointly develop better processes. Safe Driving and Long Service Awards were presented to drivers and employees to recognize their years of service with the company. This year there were four employees recognized for 25 years of service, which is a true testament to their dedication to STC.

RECRUITMENT AND RETENTION

Recruiting and retaining skilled and talented workers is becoming more competitive in the transportation industry. Positions in the organization such as Mechanics continue to be a challenge for recruitment.

The Graduate Intern Development Program is used by STC to stimulate some additional challenges and provide less planning opportunities for recent graduates. Interns can be found in human resources, information technology, operations and communications.

STC is proud to have a workforce that is representative of Saskatchewan's general population. As a federally regulated employer, annual reports are submitted to the Canadian Human Rights Commission in compliance with the *Employment Equity Act*.

CULTURE OF SAFETY

STC is committed to Mission Zero and continues to build a "Culture of Safety" throughout the organization. A significant emphasis is placed on the organization's Occupational Health and Safety program, including prevention strategies in high risk occupations. The Company's ongoing investment in improving reform to work programs and training employees in regulations and safe work procedures paid off with significant reductions in lost time injuries in 2014.

STC has an enviable on road safety record. 2014 saw a continued focus on transport compliance and safety that ensured the organization met its mandate of providing safe, affordable and accessible bus passenger and freight services.

EMPLOYEE SATISFACTION

The Company measures employee satisfaction regularly through a voluntary survey. This tool is a valuable resource for STC management to determine the strengths and weaknesses of company employee relations. Feedback from the surveys helps STC determine its yearly human resources plan.

STC focused on improving employee satisfaction through improved communication and recognition efforts in 2014. The result was an increase in overall employee satisfaction scores over the previous year.

COMMUNITY SUPPORT

STC and the employees enjoy giving back to groups and communities across Saskatchewan. Ongoing work with groups like the Canadian Red Cross, The Arthritis Society and CAN Saskatchewan allow STC to provide transportation and shipping in support of the valuable work done by those organizations. In 2014, STC was proud to work with the North American Indigenous Games to ensure many of the athletes and coaches from across Saskatchewan had access to cost effective transportation to the event.

The Company raised money for charity through staff barbeques and other fundraising events. In 2014, the Little Gold Angels and the Canadian Cancer Society received donations thanks to the efforts of STC employees. Employees in Regina, Saskatoon and Prince Albert also organized a food drive during the holiday season to support local food banks, donating much-needed non-perishable food items.

In May, STC participated in the evacuation of Stanley Mission in response to forest fires. STC was proud to help move evacuees to safe communities.

INNOVATION

Focusing on efficiencies, STC continually looks for new and cost effective ways to provide valuable services to riders and freight customers across Saskatchewan.

REACHING OUT TO THE CUSTOMER

More and more consumers are looking to online sources for information and purchase options. The Saskatchewan Transportation Company (STC) is experiencing this trend with visits to the website (www.stcbus.com) growing by 16 per cent in 2014. Sales of online tickets continue to grow as more and more communities and locations become available for purchase. Since the successful launch of eTickets in 2013, STC has expanded to provide online tickets to 130 destinations across the province. E-ticket sales increased to 5,900 in 2014.

Ride Rewards, STC's email loyalty program, remained a key tool for providing information and promotions to STC customers. In March 2014, Ride Rewards members received an exclusive offer of one-way fares for $20. The offer increased membership in Ride Rewards by over 2,400 members. In July, Canada's new anti-spam legislation came into effect. STC's proactive work to ensure compliance helped to maintain a large portion of the members in the database and proved the value members see in this loyalty program.

Social media, in particular Facebook, became a key promotional tool for STC in 2014. The ability to reach out to and engage with a broad Saskatchewan audience proved valuable to the company. Followers of STC's Facebook page grew from 82 on January 1 to over 3,600 by December 31, 2014. STC took advantage of the platform to provide customer support, promote sales and discounts, accept feedback on services, and engage the public through contests and give-aways.

STC implemented opportunities to move the service closer to the customer to increase the convenience of bus travel. Park and Ride locations were set up in Regina and Saskatoon, allowing travellers between these two locations a convenient place to park their vehicles and take the bus, eliminating the need to go downtown. Convenient parking and Wi-Fi help to make bus travel a viable option between these communities.

Quick drop boxes were developed and the first was located in Regina. STC customers in Regina's downtown can now utilize STC shipping services without having to visit the terminal by drop off packages at additional locations in Regina and Saskatoon are under negotiation.

PARTNERSHIPS

STC is both a commissioned agent and a strategic partner with Greyhound Canada to provide connections to destinations across Canada for passengers and parcels. STC is the agent for Greyhound Canada in Regina and Saskatoon and has common agencies in Moose Jaw, Swift Current, Yorkton and North Battleford.

2014 was the final year for the refurbishment program offered by Greyhound Lines, Inc. STC refurbished one coach in 2014 at a fraction of the cost of purchasing a new coach. Refurbishment extends the useful life of the existing coach while upgrading amenities to include wheelchair access, 110V power outlets, and extended legroom.

Community operators, interline carriers, contract carriers and pick-up and delivery operators make up the 204 partners that work with STC every day to provide bus, passenger and freight services across Saskatchewan. STC engaged nine partners in 2014 through the implementation of Park and Ride locations in Saskatoon and Regina. These partnerships extend the reach of the network and enhance the service offering.

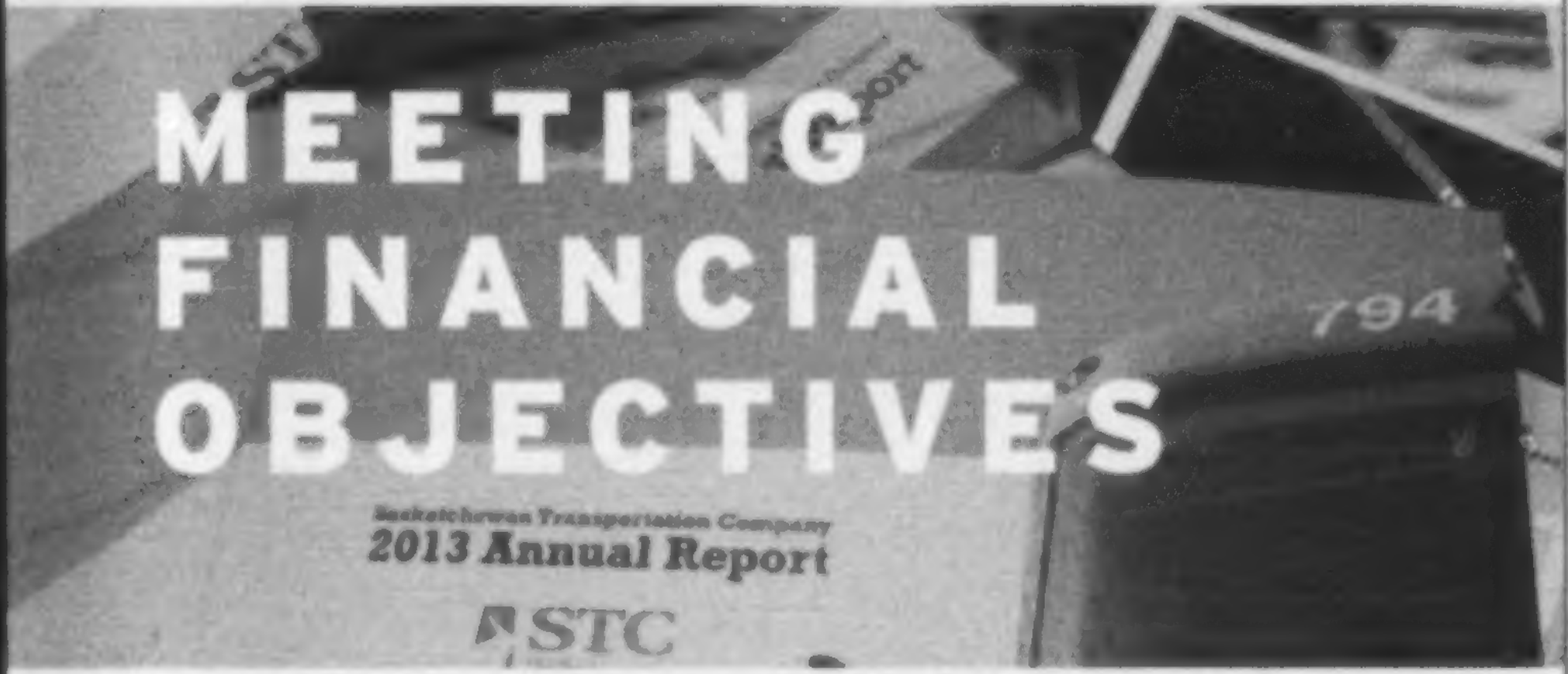
Community service councils allowed STC to work with various communities surrounding Regina and Saskatoon. Although a commuter service has proven to not be feasible for STC at this time, the engagement fosters the communities and economy.

OPERATIONS

In 2014, STC developed a preventative maintenance scheduler that incorporates the last reported mileage with Bluebird fleet maintenance software. This visual tool enables maintenance staff to more efficiently track service intervals and required inspections to ensure ongoing compliance with National Safety Code standards and provincial regulations.

Prior to 2014, access to motor coaches with towing capacity required the refurbishment of old coaches that already had a hitch, or the purchase of new customized coaches. STC's focus on serving both bus passenger and shipping customers is unique in the intercity bus industry with Greyhound Canada being the other main provider of this type of service. Most other players in the industry do not require the ability to tow trailers and there are no used coaches available with kitchen pre-installed. In 2014, STC worked directly with Motor Coach Industries (MCI) and their engineering department to retrofit used coaches with kitchen. Without this new option, the only opportunity to obtain access to kitchen for STC's fleet would be the purchase of new coaches at a considerably higher cost.

ACE SHIPMENT HERE
STC
The Bus Company
HIS STC QUICK DROP
ILL BE PICKED UP AT:
4:30PM



Annual grants allow STC to deliver a valuable public service. The stewardship of these funds are managed through strict financial controls and performance measurement tools.

MANAGEMENT DISCUSSION & ANALYSIS (PAGE 26)

Management's view of STE's performance in 2016 and prospects for the future are presented.

BALANCED SCORECARD (PAGE 34)

Performance is tracked and reported against targets set in each of STE's strategic goals.

FINANCIAL STATEMENTS (PAGE 40)

Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and audited annually.

The following Management Discussion and Analysis (MD&A) highlights the primary factors that impacted Saskatchewan Transportation Company (STC) operations and financial results for the year ended December 31, 2014. The MD&A provides management's perspective of the Corporation for the previous 12 months. It should be read in conjunction with the audited financial statements and accompanying notes. The MD&A includes an industry overview and risk assessment, as well as information on financial performance, regulation, future outlook and the Saskatchewan economy.

INDUSTRY OVERVIEW

Western Canadian Industry

STC is the sole provider of intercity bus passenger business in Saskatchewan. Greyhound Canada operates two routes through the province, using the Trans-Canada and Yellowhead Highways. There are also private motor carriers who have charter and other contractual arrangements with STC to serve specific schedules or passenger or freight customers.

Factors such as economic populations, the number of jobs, and competition with other forms of travel and freight services contribute to shaping the intercity bus industry. The negative impacts of Greyhound Canada's decision in 2011 and 2012 resulted in ridership declines and significant fiscal consolidation for STC. Intercity ridership in Manitoba and Alberta impacted ridership in these provinces and by extension, STC operations. The re-routing and withdrawal of these routes on STC's provincial network has compounded the negative impact on ridership and overall express revenue.

The strength of the Saskatchewan economy in 2014 continued to afford STC's ability to recruit staff in key areas. Workforce skills shortages in the construction and mining sectors have a negative impact on recruitment efforts.

Fuel is one of the biggest cost drivers at STC. In 2014, the cost of diesel fuel did not follow the drop in crude oil prices resulting in a large disparity between the price of crude oil and the rack diesel prices in Western Canada. This is due to the impact of high-cost wood for diesel and the lag in additional capacity coming online in Western Canada. If the price of crude remains low in 2015, smaller producers may exit the market and the disparity between the price of crude and rack diesel prices in Western Canada may shrink.

Population migration patterns and ageing routing trends for Saskatchewan residents as compared to the rest of Canada create both opportunities and challenges for STC. STC's intercity service is increasingly becoming more important among all segments of the population. While many customers choose to use STC out of necessity until the next more accessible form of transportation, others are choosing to ride with STC because of the convenience, the environmental benefits, the ability to relax and the access to Wi-Fi. Despite this trend, there are still many that will continue to prefer the convenience and flexibility that private vehicles offer. For urban centres such as the Saskatoon corridor, an intercity mode provides an alternative transportation service. STC's new Park and Ride options in Saskatoon and Regina, combined with the ability to provide connection and connecting bus shelter locations, are designed to compete at this market.

Competition from low or regional and national carriers continues to grow for STC's parcel express services. Corporate satisfaction grew by 97 per cent in 2014 for STC's courier express services amidst deep discounting by national carriers.

Geographically-Dispersed Population

Saskatchewan has more than 36,000 miles (58,000 kilometres) of provincial highways, including municipal roads. Saskatchewan's total road surface is approximately 69,000 miles (111,000 kilometres).

In 2014, STC operated approximately 2.9 million miles (4.7 million kilometres) of subsidized bus service and provided connections to 253 communities. Private sector partnerships allow STC to offer premium, first passenger and parcel express service to additional communities.

In Saskatchewan, nearly all of STC routes are low density. Revenues from the higher volume routes are not able to fully offset the associated losses. Frequency of service is tailored on some routes with low passenger numbers, allowing STC to contain costs. But this negatively impacts both passenger and freight convenience. In 2013, to assist in minimizing the annual subsidy, STC applied for and received approval to discontinue three under-utilized routes: Shoal Lake-Neepawa (authorized on May 16, 2013), and Regina-Calgary and Estevan-Moosomin/Swift Current (as of January 1, 2014).

Improving Public Perception of Bus Travel

Within the relatively low-moved, S. C's service consistency and improvements on the on-board experience are company highlights. STC continues to reinforce its security, safety, comfort, and affordability as brand attributes and seeks to improve public perception of bus travel.

Despite positive reviews from STC customers, "good" or "excellent" customer satisfaction ratings of 94 per cent in 2013, there remains a negative public perception of bus travel among those who do not use the service. Research completed by STC in 2014 confirmed that taking the bus is simply not considered by most non-riders. The two main concerns to overnight, schedule and price. In the low acquisition points that demands STC transportation as a viable option in their travel decisions. STC customers know the Company provides quick, clean and dependable service. The challenge is to utilize these and all other avenues to get this message out to people and have them involved with STC.

In order not to alienate market, personnel focus was placed on social media tools and the Ride Rewards program. Challenges with both options were faced in 2014 with changes to Facebook and Canada's new anti-spam legislation (CASL). The ability to reach large portions of key markets through tools such as Facebook has become more difficult and expensive to achieve. STC's proactive approach to preparing for the implementation of CASL allowed the organization to ensure that a large portion of the total Rewards database remained opted-in for future communications. The gains to the database during the March 31st Care offer offset the losses when those who did not opt-in were removed from the list in July.

RISK ASSESSMENT

STC undertakes semi-annual reviews of the enterprise risk management system with the Board of Directors. The risks identified are key considerations in the development of the capital and operating budgets and the annual strategic plan.

Fleet Age

The condition of STC's fleet is a critical factor in being able to provide high-quality, safe and reliable services. An aging fleet poses significant risks in terms of service delivery and contributes to STC incurring higher overtime costs to avoid or reverse cancellations, breakdowns and other service-related failures. This negatively impacts customer satisfaction and shareholder confidence. The additional pressure on maintenance services creates a domino effect from having out-of-service vehicles.

STC maintains its fleet with regularly scheduled service intervals as determined by the Regional Safety Clerk to ensure repairs are conducted in a timely manner and extend the overall life of the fleet.

Recruitment and Retention

STC's ability to provide high quality service to the public is directly attributable to a well-trained, satisfied workforce. STC surveys its workforce regularly to measure staff engagement. Consistent with other employers in Saskatchewan, STC is facing difficulties in recruiting and retaining employees in certain key job classifications. Delays in recruitment and retention issues are being addressed by a targeted strategy that has been developed to address these recruitment and partnerships and participation in job fairs as a way to promote STC as an employer of choice.

Compliance with Legislation Including Occupational Health and Safety Legislation

STC continues a proactive review of key legislation impacting the transportation industry in 2014. The project included a review of STC's relevant processes to ensure compliance and the development of tools and quarterly reports (similar to CSA/ISO Certification) to monitor compliance and mitigate risk. The Board is updated quarterly on STC's regulatory compliance to ensure due diligence is completed and transparency is maintained.

Lack of Sufficient Growth in Parcel Express Volumes

Lower than planned parcel express volumes impact the organization's need for subsidization. The current network is designed for passengers, not for freight, and STC's non-automated shipping can make it difficult to compete for large accounts. Increasing competition in the parcel business contributes to decreasing volumes for STC. In addition, points of interest have been lost due to Greyhound Canada changes in 2011 and 2012 and STC's route discontinuances in 2013 and 2014. STC will continue to provide customized options to the business market in 2015.

Being a Price Taker of Commodities and Supplies

Fluctuating fuel prices have a direct impact on STC's subsidy. STC has no control over Western Canadian fuel supply and the cost of fuel. In addition, the currency exchange rate can impact the capitalized labor purchasing power available in the United States. All of these factors impacted STC in 2014.

FINANCIAL PERFORMANCE

Introduction

The financial performance of the Company is significantly impacted by its mandate to provide service on the inland, predominantly rural, Saskatchewan low population corridors. There are insufficient passenger and freight volumes to fully recover all operating costs. This subsidization is required to serve such an extensive network. No dividend was paid to Crown Investments Corporation of Saskatchewan (CIC) in 2014 and STC will not be in a position to pay one in 2015.

In fact, the financial performance is caused by whether an apple and subsidy are as low as possible. The quality and magnitude of the services provided in addition to expenditures incurred. Total cash loss as a percentage of total expenses (excluding depreciation) in 2014 was 38.8 per cent (38.8 per cent in 2013). This compares favourably to rates for public transit in the urban centres which sit between 40 and 75 per cent.

The major fiscal challenges faced by STC in 2014 included lower revenues compared to budget and a costing gap in fuel prices. In order to manage the overall operating loss, a number of short term spending constraints were implemented including vacancy management, reduced equipment depot hours of operation, reduced building maintenance and control over corporate travel. Despite these measures, the 2014 operating loss ended the year $191,000 higher than the approved operating level.

Operating and Capital Grants

STC operations are subsidized through grants received from CIC, the central borrowing body of Saskatchewan's Crown. Each year STC submits its performance assessment and other requirements to CIC for review and approval. In 2014, STC received approval for a total operating grant of $5.3 million to cover its subsidized operating losses.

STC received an approved 2014 capital grant of $3.5 million to fund capital expenditures. Capital expenses are primarily allocated to fleet and facilities investments.

Other Revenue Sources

STC generates other revenue through alternative sources to help offset grant requirements. In 2014, this other revenue totalled $4,115,000 (2013: $4,958,000) and included:

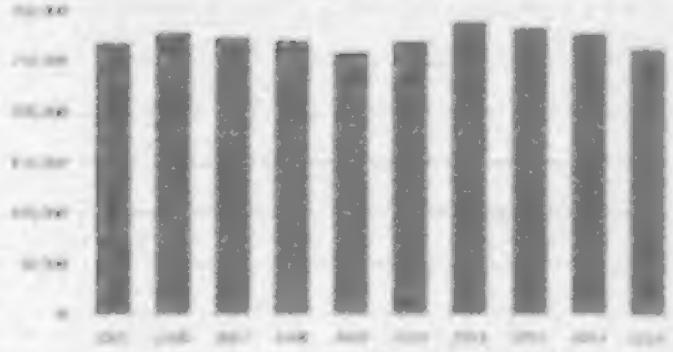
- maintenance and driveaway service provided to other independent bus lines, generating $487,000 in revenue;
- rented excess space in terminals and garages totalling $302,000;
- wrapped busses and tours with advertising and sold advertising on STC property through the use of bus/tour signs totalling in $48,000; and,
- an additional $51,000 from automated banking machines and locker rentals.

STC also operates charter services which provided $295,140 in revenue in 2014. The operation of charters provides opportunities to better utilize the bus fleet, as most take place on weekends when fewer scheduled trips occur. In 2014, reduced fleet provided STC to take more charters, which used extra equipment available for scheduled services. Requests for charter service that cannot be accommodated by STC are referred to private carrier operators. STC sometimes chooses working relationships with the private sector and provides extra capacity when partner to private charter companies when they have fleet or drivers demand.

Passenger Service

Overall passenger numbers of [illegible] in 2014 was a 5.3% per cent decline compared to 2013. Despite increases in June and October ridership due to small sale extensions and continued high satisfaction ratings with our services, STC has been unable to overcome the issues that are occurring in the network due to the Greyhound Canada Inc. exit that began in 2011.

Ridership history



The table below offers a snapshot comparison of passenger service financial results from 2014.

	2014	2013
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Ridership losses are attributable in part to the bitterly cold start and the unseasonably warm end to 2014 and to the route reductions that Greyhound Canada, and subsequently STC, implemented over the last few years.

In 2014, STC continued with its successful Senior Start Seats and Youth Promotion. The Senior Start Seats in May and September were extended into June and October in total, over 13,000 senior passengers were carried during the four sale months. The Youth Promotion was applied to a flat fare offer of $25 one way during the months of July and August. Ridership associated to the two month flat fare promotion was just under 9,000.

Parcel Express Service

STC route schedules and frequency are designed to optimize services for the passenger side of the business. STC, however, has unique capacity advantages to its parcel express service. STC provides service on schedules far in excess of what others, as does Greyhound Canada on routes it serves.

Another strength of STC's freight business is its reach. The breadth of its network is unparalleled by other couriers in Saskatchewan. Valuable packages containing warm samples, blood samples, and agricultural equipment help drive Saskatchewan's local economy.

STC has programs in place for various shippers. The Company has a large number of corporate customers who do business with S. T. through charge accounts or point-of-sale credit programs.

Parcel express service tends to be somewhat seasonal for S. T., with increases in freight activity generally occurring during farm seeding, harvest, construction season, drilling season and the warm holiday season.

Profits from STC's parcel express service help underpin its subsidy requirement. Express volumes were significant due to the unfavorable effects of the service discontinuations and increased competition from large carriers in the Saskatchewan market. However, the company experienced a 21 per cent increase in revenue for 2014 compared to 2013 and a positive income before subsidy in February 2014.

A comparison of overall expense increases, expenses and profits are provided in the table below:

	2004	2003
[illegible]	$ [illegible]	$ [illegible]
[illegible]	$ [illegible]	$ [illegible]
[illegible]	$ [illegible]	$ [illegible]

Bus Maintenance Services

STC provides maintenance and recovery services for other bus companies, providing revenue streams of $487,000 for 2004, compared to $403,000 in 2003. Expenses associated with such work were $756,000 in 2004 compared to $751,000 in 2003. The increase in revenue is largely due to increased fuel prices in 2004 which STC sells as part of its maintenance services.

The workload of STC mechanics continues to be prioritized based on STC's own fleet maintenance needs. Maintenance service expenditures for STC coaches and their work totaled $4,992,000 in 2004, compared to $4,821,000 in 2003. This is due to increases in the amount of repairs required to keep the fleet performing safely as it has been routed in 2004.

STC made a number of fleet improvements in 2004, including the enlargement of the number of coaches with 900 passenger capacity, the announcement of key high volume routes, and the replacement of four coaches with low mileage used coaches equipped with both wheelchair access and lifters. The refurbishment of one existing coach was completed during the year allowing STC to extend the life of that coach and upgrade its overall reliability.

Property, Plant and Equipment

Capital spending was $[illegible] million in 2004 compared to $[illegible] million in 2003. The increase over 2003 is largely the result of projects initiated in 2003 that were completed in 2004, including the Laurentian Maintenance Facility washroom accessibility upgrades and some other projects at the Hickey Terminal.

STC's capital investment in 2004 included fuel retrieval ($[illegible]), other equipment ($[illegible]), corporate systems and technology ($[illegible]) and facilities ($[illegible]). The capital spend on the Regina Maintenance facility renovations was $[illegible] in 2004. The fuel retrieval (pending) in relief completion of the coach refurbishment and the purchase of four used coaches.

FACILITIES

STC owns and operates passenger and freight terminals in Regina, Saskatoon and Prince Albert. It owns maintenance facilities in Regina and Saskatoon. The Company owns a passenger and freight terminal in Moose Jaw and continues the operation of the facility to an agreement.

STC Facilities	Age (years)
Moose Jaw Passenger and Parcel Express Terminal	39
Prince Albert Passenger and Parcel Express Terminal	61
Regina	
• Passenger and Parcel Express Terminal	4
• Maintenance Facility	44
Saskatoon	
• Passenger Terminal	44
• Parcel Express Building	37
• Maintenance Facility	39

*STC owns but does not operate this property.

Prince Albert

The Prince Albert Terminal provides services for both passengers and parcel express customers. The exterior lighting in the taxi lane area was upgraded in 2018 and new door operators for the express entrance were installed.

Regina

The main facility in Regina houses passenger services, parcel express services and the head office of STC. Improvements completed include the replacement of the bore exhaust fans and HVAC/R (refrigeration) equipment. Security cameras customer was upgraded and the uninterruptible power supply batteries were replaced. The lift station was also refurbished in 2018.

The Regina Maintenance Facility remained active for STC in 2018. An engineer's inspection of the Regina Maintenance Facility revealed structural weaknesses in 2017. A plan for a joint tech solution was developed and STC received approval for a $3.82 million capital grant in 2019. In 2018 STC hired a consultant, completed required drawings and awarded the tender for this project. Construction is expected to begin and reach substantial completion in 2019.

Saskatoon

The Saskatoon terminal building houses passenger and parcel express services. An accessibility upgrade to the Saskatoon ticket office was completed in 2018. This included the widening of doorways at the ticket office and wheelchair access from the office and the passenger boardroom to make them wheelchair accessible. The overhead loaders were also raised in the Saskatoon Express Terminal. Upgrades were made to the new supports and the rollers were repaired.

Upgrades to the Saskatoon Maintenance Facility included the completion of improvements to the accessibility of washrooms, updates to the sanitary prevention system and the repair of a pit type tender pressing out.

Corporate Systems and Technology

In 2014, S^C expanded e-Ticketing to include 100 origins and destinations across the network. This online system gives customers another sales channel for purchasing tickets. Ridership has been extremely positive.

Fleet and Equipment

S^C's coach fleet ranged in size from 22 to 32 years. In 2014, S^C operated a fleet of 43 coaches and 37 freight trailers. S^C's fleet is 35 per cent wheelchair accessible.

In 2014, S^C purchased and received four full size pan-domed coaches and two freight trailers.

All coaches in S^C's fleet have global positioning systems (GPS) and surveillance capability. 67 per cent have WiFi access system for passengers use and 100 per cent are WiFi capable.

EMPLOYEES

Employment Equity

As a federally regulated employer, STC is committed to diversity in compliance annually by the Canadian Human Rights Commission (CHRC) on behalf of Department of Employment and Social Development Canada (ESDC). In 2014, the CHRC completed an audit of STC's employment equity programs to ensure compliance with the *Employment Equity Act*. Since the last audit completed in 2010, STC demonstrated significant improvement in the representations of Women, Aboriginal people, and Persons with disabilities. STC received an important rating in the representation of Aboriginal people. In addition, STC demonstrated an overall higher employment equity result than the average of the Ground Transportation Sector, while STC's overall audit results were positive and demonstrated improvement, continued efforts are required to enhance the representation of Women in the unionized manual workers occupational group, and Persons with disabilities and visible minorities in the managerial and professional occupational groups.

SHAREHOLDER ENGAGEMENT

STC works to maintain a strong relationship with its shareholder Government by supporting the principles of fairness, support, and transparency. STC fully complies with its statutory obligations for approval and disclosure of extra-revenue. These responsibilities include:

- Annual approval of the Corporation's performance management plan, including capital expenditure through an Holding Company Crown Investments Corporation of Saskatchewan (CIC).
- Annual disclosure of all payments of over $50,000 to employees and suppliers.
- Compliance with public requests for information, balancing the objectives of *The Freedom of Information and Protection of Privacy Act*.

FUTURE OUTLOOK

It is the Company's responsibility to effectively manage resources it can control to contribute to its annual level. STC's business is also tied to non-controllable costs such as fuel. Volatile diesel fuel prices in 2014 had a significant impact on STC's fiscal position.

Managing the establishment of fleet, technology, people, and facilities will support strategic goals of increasing revenues while maintaining high customer satisfaction ratings for both passengers and shippers.

The company will continue private sector partnerships with agents and interline carriers to strengthen STC's customer service network in Saskatchewan. Other agreements will be investigated with sponsors and business partners to increase STC's visibility within the community and foster a positive reputation of safe, affordable, and accessible bus passenger and freight service.

Saskatchewan's economy and growing population provide the opportunities of a large potential market for STC. However, an increasingly affluent population often has access to private vehicle and air transportation options. Increasing competition in the parcel courier industry provides shippers with a variety of options. Industry changes in neighbouring jurisdictions impact STC's ability to provide convenient connections to destinations in other provinces which may not be both passenger and freight operations.

1717 SASK. DRIVE
STC
The Bus Company

MANAGEMENT'S RESPONSIBILITY FOR REPORTING ON PERFORMANCE

Management has presented its performance information in the Balanced Scorecard.

The information is, to the best of our ability, reliable (that is, reasonably free of errors or omissions and represents what it claims); consistent (that is, prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets); and timely (available). To provide a better understanding of the information, management has defined the terms and calculations and has corrected inaccuracies.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfill this responsibility, the Company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information generated is reliable and consistent.

On behalf of the Company, on March 18, 2015.

Mukesh Sahoo, President & CEO

Scorecard Discussion

STC's Balanced Scorecard (BSC) holds the Company accountable to the public. It contains objectives, measures, and targets which were created based on the strategic direction promoted by STC's Board of Directors, as well as the overall strategic direction of Crown investments Corporation of Saskatchewan (CIC). Measures continue to evolve to improve alignment with the company's strategic plan, demonstrate STC's contribution to the priorities of the Crown sector, and improve clarity in the reporting of the results.

- Customer satisfaction remained very high for passenger services at 96 per cent and exceeded the targets set for public express with a final result of 92 per cent.

- STC increased passenger fares on August 1, 2014. Greyhound Canada introduced dynamic pricing in August 2014, therefore evaluations against the BCA no longer provide an accurate comparison against Greyhound Canada's market pricing.

- STC owns and operates 43 stations, 35 per cent of which are designed for wheelchair accessibility.

- While STC requires growth from C&C to fulfill its public policy role, it measures its financial success by setting efficiency targets and by underspending expenditure controls to meet these targets. Key financial measures did not meet 2014 targets largely due to lower revenues, lower ridership and volatile fuel costs.

- Employee satisfaction in 2014 rose to 69 per cent. STC worked to improve this measure through better communication across all levels within the organization.

- The training target was exceeded in 2014, in part due to an ongoing focus on safety training. However, STC also sought efficiencies and cost savings in regards to how employees receive training with a focus on online and webinar style courses.

- STC continued to focus significant efforts on health and safety, including improvements in reporting and investigation processes, training and the development of safe work procedures and injury prevention strategies. The number of workplace injuries resulting in lost time in 2014 struggled to meet the number of lost time injuries reported in 2013.

- Overall ridership declined. As of December 31, 2014, ridership was 5.28 per cent below 2013 levels.

- Dollars of fuel per KM/passenger miles ran worse than budget for the year due to lower than budgeted ridership levels resulting in reduced passenger miles.

CUSTOMER

WE MEET THE NEEDS OF OUR CUSTOMERS

Objective		Measures	2014 Target	2014 Actual	2015 Target
Passengers are satisfied with the service they receive	M1	Passenger survey satisfaction rating	93%	93.6%	95%
Fares and discounts are competitive and satisfactory to our customers	M2	Fares rate of increase vs. the Ambaro Canadian Average	1% to 4%	N/A	Eliminate
Ambaro serves a significant portion of Saskatchewan	M3	Number of communities served	250	263	265
A portion of our passenger bus fleet is equipped for wheelchair accessibility	M4	Percentage of fleet that is wheelchair accessible	20%	35%	40%
Parcel express customers are satisfied with the service they receive	M5	Parcel express survey satisfaction rating	95%	92.3%	97%

FINANCIAL

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

Objective		Measures	2014 Target	2014 Actual	2015 Target
Cash flow is as low as possible	M6	Operating cash flow as a percentage of annual revenues	37.0%	38.80%	38.50%
Operating cost per km as low as possible	M7	Passenger services km per hour	($2.85)	($2.96)	($3.01)
Meet or exceed all Board of Director governance requirements	M8	Compliance with "Best Practices" for Board questionnaire	Full Compliance	Full Compliance	Maintained

Explanation of Measurement Terms

WE MEET THE NEEDS OF OUR CUSTOMERS

M1 Passenger Service Satisfaction Rating is the overall satisfaction level of our passengers (bus riding customers). This information is obtained through a semi-annual, multi-part passenger survey. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent". Due to the fiscal restraint measures to be undertaken in 2015, including the elimination of advertising and mail users and the reduction of frequency on certain routes, the future target for this indicator has been adjusted down.

M2 Fares Are At Or Near The Regional Canadian Average (RCA) and are set within a range of two per cent below to four per cent above the average. The RCA is determined by the intra-provincial rates charged at the end of each quarter by Greyhound Canada in Saskatchewan, Manitoba, Alberta and British Columbia. In August 2014, Greyhound Canada implemented dynamic pricing. Therefore, results for this indicator may not provide an accurate comparison of Western Canadian pricing. The Board of Directors approved the discontinuation of this indicator in October 30, 2014.

M3 Number Of Communities Served is all communities within Central Saskatchewan with at least one of the following: a flag-stop, scheduled passenger service and/or freight-only service.

M4 Percentage Of Fleet That Is Wheelchair Accessible includes the percentage of total motor coaches owned by STC that have built in chair lifts.

M5 Person Express Survey Satisfaction Rating is the overall satisfaction level of our shipping customers. This information is obtained through survey information that is gathered voluntarily from customers. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as "good" or "excellent". Due to the fiscal restraint measures to be undertaken in 2015, including the elimination of advertising and the reduction of frequency on certain routes, the future target for this measure has been adjusted down.

WE ARE A FISCALLY RESPONSIBLE AND ACCOUNTABLE CORPORATION

M6 Operating Cash Loss As A Percentage Of Overall Expenditures is kept as low as possible. The calculation is calculated as the operating cash loss, divided by the total expenditures (including depreciation) for the year.

M7 Passenger Service Loss Per Mile is the difference between the passenger revenue and revenue per mile. Revenue per mile is calculated as total passenger revenues, divided by the total scheduled miles and service miles. Passenger expense per mile is calculated as the total passenger expenses, divided by the total scheduled miles and service miles.

M8 "Best Practices" For Board Governance is measured by either meeting or exceeding all corporate governance requirements as set forth by the Canadian Securities Administrators (CSA) National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*. These CSA guidelines outline national governance requirements for publicly traded companies and address issues of responsibility for effective corporate governance. While STC is not a publicly traded company, its practices are benchmarked against these publicly held practices each year. The Board of Directors approved the most recent update of this measure in September 2014.

PEOPLE

WE ARE A HIGH-QUALITY EMPLOYER

Objective		Measures	2014 Target	2014 Actual	2015 Target
STC is an employer of choice in Saskatchewan	M9	Employee satisfaction survey rating	75%	69%	Not reporting
STC provides safety and career development training for our employees	M10	Number of safety, technical and professional development training opportunities attended	190	330	200
STC provides a safe work environment	M11	Number of preventable fleet claims	14	11	Removed
		SEB - Percentage of days lost due to compensable injuries	-	-	1.8%

INNOVATION

WE ARE IMPROVING AND INNOVATING

Objective		Measures	2014 Target	2014 Actual	2015 Target
Focus our business operations with other private entities	M12	Road agreements and partnerships	204	204	204
Build our customer base and provide for Corporation	M13	Percentage growth in passenger numbers	10%	-5.28%	9.0%
Support building our future by protecting our environment	M14	Percentage of passengers aware that bus transportation is environmentally friendly	95%	91.4%	Removed
Environmental benefits of bus travel	M15	Gallons of fuel per 100 passenger miles	1.4	1.24	Removed

Explanation of Measurement Terms

WE ARE A HIGH-QUALITY EMPLOYER

M9 Employee Satisfaction Survey Ratings is obtained from a comprehensive employee survey. The survey measures the overall satisfaction of STC employees. STC is moving to a biennial employee survey. The next survey will take place in 2016.

M10 Number Of Safety, Technical And Professional Development Training Opportunities Attended in the workplace represents the total number of times employees have attended either on-the-job or externally-delivered workplace training session, webinar or workshop during the year.

M11 Number Of Compensable Injury Claims in the workplace. This represents the total number of injury claims which involved time lost (WCB) compensation to an employee during the year. The Board of Directors approved the implementation of this measure.

M11 NEW – Percentage of Days Lost Due to Compensable Injuries reflects the work that STC does to improve safety throughout the organization and the steps taken to lessen the risk of accidents and the length of absence due to injury. It is calculated by dividing the total number of days lost due to injury by the total working days.

WE ARE IMPROVING AND INNOVATING

M12 The Number Of Total Agreements And Partnerships with private sector entities includes the total number of operating STC agents, interline carriers, contract carriers and pick-up and delivery service operators. It also includes other partnerships and agreements that meet specified criteria to be included in the reported results.

M13 Percentage Growth In Passenger Ridership is the percentage growth in ridership on scheduled routes year over year. Due to the fiscal restraint measures to be undertaken in 2015, including the elimination of advertising and seat sales and the reduction of frequency on certain routes, the future target for this measure has been adjusted down. However, the cost savings are expected to yield a positive net financial impact on the Company's fiscal position.

M14 The Percentage Of Passengers Aware That Bus Transportation Is Environmentally-Friendly is achieved through a semi-annual, voluntary passenger sample survey and represents the total percentage of respondents who rate riding the bus as environmentally friendly. The Board of Directors approved the discontinuation of this measure in September 2014.

M15 Gallons of Fuel per 100 Passenger Miles is a ratio of motorized gallons of fuel for scheduled service miles divided by the projected passenger miles for bus travel. The Board of Directors approved the removal of this measure as it is not easily understood.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management has prepared the financial statements of the Company in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with the financial statements and the supplementary information has which the Company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company.

KPMG LLP, the Company's external auditors, have examined the December 31, 2014 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the Company,

Shawn Grice
President & C.E.O

Jason Skerratt
C.F.O

February 25, 2015

ANNUAL STATEMENT OF MANAGEMENT RESPONSIBILITY

I, Shawn Grice, the President and Chief Executive Officer of the Saskatchewan Transportation Company, and I, Jason Sherwin, the Chief Financial Officer of the Saskatchewan Transportation Company, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Transportation Company. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2014.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of the Saskatchewan Transportation Company do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That the Saskatchewan Transportation Company is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and the Saskatchewan Transportation Company has developed internal controls over financial reporting that are appropriate to the circumstances of the Saskatchewan Transportation Company.

d. That the Saskatchewan Transportation Company conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, the Saskatchewan Transportation Company can provide reasonable assurance that internal controls over financial reporting as of December 31, 2014 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Shawn Grice
President & CEO

Jason Sherwin
CFO

February 26, 2015

INDEPENDENT AUDITORS' REPORT

MNP

Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of Saskatchewan Transportation Company as at December 31, 2014 and the statements of comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or misstatement.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Regina, Saskatchewan
February 26, 2015

MNP LLP
Chartered Accountants

STATEMENT OF FINANCIAL POSITION As at December 31

(Thousands of Dollars)

		2014		2013
Assets				
Current				
[illegible]	$	[illegible]	$	[illegible]
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
		[illegible]		[illegible]
Non-current				
[illegible]		[illegible]		[illegible]
	$	[illegible]	$	[illegible]
Liabilities and Provider's Equity				
Liabilities				
Current				
[illegible]	$	[illegible]	$	[illegible]
Non-current				
[illegible]		[illegible]		[illegible]
		[illegible]		[illegible]
Province of Saskatchewan's Equity				
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
		[illegible]		[illegible]
	$	[illegible]	$	[illegible]

[illegible]

Approved by the Board on [illegible]

[illegible]
Director

[illegible]
Director

STATEMENT OF COMPREHENSIVE LOSS Year Ended December 31

(Thousands of Dollars)

	2014	2013
Revenue		
[illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]
Expenses		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	$ [illegible]	$ [illegible]

[illegible]

STATEMENT OF CHANGES IN EQUITY

(Thousands of Dollars)
Attributable to the Provinces of Saskatchewan

	Retained Earnings	Contributed Surplus	Total Equity
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Balance at December 31, 2013	**[illegible]**	**[illegible]**	**[illegible]**
Total comprehensive loss	**[illegible]**	**-**	**[illegible]**
Balance at December 31, 2014	$ [illegible]	$ [illegible]	$ [illegible]

[illegible]

STATEMENT OF CASH FLOWS Year Ended December 31

(Thousands of Dollars)

		2014		2013
Operating Activities				
Total comprehensive income	$	[illegible]	$	[illegible]
Items not affecting cash:				
Depreciation (Note 9)		[illegible]		[illegible]
Gain on disposal of property and equipment		[illegible]		[illegible]
Recognition of capital grant (note 11)		[illegible]		[illegible]
Net change in non-cash working capital (Note 17)		[illegible]		[illegible]
Cash (used in) provided by operating activities		[illegible]		[illegible]
Investing Activities				
Additions to property and equipment (note 9)		[illegible]		[illegible]
Proceeds on disposal of property and equipment		[illegible]		[illegible]
Cash used in investing activities		[illegible]		[illegible]
Financing Activities				
Capital grant received (note 11)		[illegible]		[illegible]
Cash provided by financing activities		[illegible]		[illegible]
Increase in cash		[illegible]		[illegible]
Cash, beginning of year		[illegible]		[illegible]
Cash, end of year	$	[illegible]	$	[illegible]

See accompanying notes

1. STATUS OF THE COMPANY

[redacted]

2. OPERATIONS AND FINANCING

[redacted]

3. BASIS OF PREPARATION

a. Statement of compliance

[redacted]

b. Basis of measurement

[redacted]

c. Functional and presentation currency

[redacted]

d. Use of estimates and judgments

[redacted]

4. SIGNIFICANT ACCOUNTING POLICIES

a. Cash

[redacted]

b. Inventories

[redacted]

c. Property and equipment

[redacted]

c. Depreciation of property and equipment

Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Motor vehicles	4 to 5 years
Other equipment	3 to 5 years

d. Impairment of non-financial assets

The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. A non-financial asset or a group of non-financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the non-financial asset or the group of non-financial assets that can be reliably estimated.

In assessing impairment of non-financial assets, the amount and timing of future cash flows are based on the Company's most recent budgets and forecasts that are updated for events occurring during the period. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of its estimated future cash flows discounted at the original effective interest rate inherent in the asset. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

e. Non-financial assets held for sale

Non-financial assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should qualify for recognition as a completed sale within one year from the date of classification.

Non-financial assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

f. Operating grant revenue

Operating grants from GoK are recognised as revenue when received.

g. Capital grant revenue

Capital grants for property, plant and equipment are initially recognised in the statement of financial position as deferred income and are released to profit or loss over the expected useful life of the relevant asset on a basis consistent with the depreciation policy.

Capital grants made to the Company are recognised in profit or loss when the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

h. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the rendering of services is recognised when the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue from the sale of agricultural produce is recognised when the produce is delivered to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

j. Employee benefits

The Company sells plans to two pension plans. One is a defined benefit plan relating to the Public Employees Benefits Agency. The other is a [illegible] Pension Plan which is defined contribution plan type based on [illegible]. Items in the defined benefit plan and the defined contribution plan are expensed during the period. All employees hired after September [illegible] are eligible to participate in the defined contribution plan.

The Company's liabilities to such plans are limited to make the required payments to [illegible]'s accounts. Its costs are funded by the employees for current services.

k. Financial instruments

The Company classifies its financial instruments in one of the following categories: fair value instruments at [illegible] profit or loss, held to maturity, loans and receivables, or other liabilities.

All financial instruments are recognized at [illegible] on initial recognition, and included in the statement of financial position. Transaction costs are included in the initial measurement of financial assets except for financial assets classified at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and all risks and rewards of ownership of the financial asset are transferred.

Financial assets classified as fair value through profit or loss are subsequently measured at fair value. Changes in fair value are recognized in the statement of comprehensive income. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Equity instruments are recognized at the value of the proceeds, net of direct issue costs.

l. Impairment of accounts receivable

A provision for impairment of trade and other receivables is recognized when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account, and the loss is recognized in the statement of comprehensive income within [illegible]. When a trade receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against [illegible] in the statement of comprehensive income.

m. Compensated absences

The Company's employees are entitled to annual leave as per the Employment Act. Unused leave entitlements carried over from the current year are restricted to a maximum of [illegible] days. Unused leave entitlements expired at the end of the current year.

n. New standards and amendments effective during the year

The following amendments to IFRSs came into effect during 20[illegible]:

- IFRS [illegible] to IAS 1[illegible] Consolidated Financial Statements: [illegible] Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – effective January 1, 2014
- Amendments to IAS 32, Presenting Financial Assets and Financial Liabilities – effective January 1, 2014
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets – effective January [illegible], 2014
- IFRIC [illegible] to IAS 39, Novation and Measurement Hedging of Derivatives and Continuation of Hedge Accounting – effective January 1, 2014
- IFRIC 21, Levies – effective [illegible], 201[illegible]

The directors anticipate that the adoption of the above may have no significant impact on the Company's financial statements in the period of initial application.

o. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been published by the period ended December 31, 2013 and have not been applied in preparing these financial statements. Of these standards, amendments or interpretations which may be relevant to the Company's operations are detailed below. [illegible]

- IAS 19 – Employee Benefits – effective July 1, 2014
- Annual Improvements to IFRS 2 (Nature of Authorization), Disclosure – Mandatory Effective Date and Retrospective Application – effective January 1, 2015
- Amendments to IAS 16, Property, Plant and Equipment – Acceptable Methods of Depreciation – effective January 1, 2016
- IFRS 11, Joint Arrangements – Accounting for Contributions – effective January 1, 2017
- IFRS 9 – Financial Instruments – effective January 1, 2018
- Amendments to IFRS 7 – Financial Instruments: Disclosures – effective January 1, 2018

The impact of the above on the Company's financial statements in future periods is currently being assessed by the directors.

5. FINANCIAL RISK MANAGEMENT

Fair value

The Company as part of its normal operations carries a number of financial instruments, including cash, accounts receivable and trade and other payables. The carrying amount of STC's financial instruments approximates their fair value due to the short-term maturities of these items.

The following table illustrates the classification and carrying amount as well as the fair value of the Company's financial instruments:

			2014		2013	
	Classification	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
			(Thousands of Dollars)			
Cash	FV	1	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Accounts receivable	L&R	N/A	[illegible]	[illegible]	[illegible]	[illegible]
Trade and other payables	OL	N/A	[illegible]	[illegible]	[illegible]	[illegible]

Classifications include: FV - fair value through profit or loss; L&R - loans and receivables; OL - other liabilities; n/a - n/a

Fair value hierarchy

Fair value measurements are categorized into level within a fair value hierarchy based on the degree to which the inputs used in the valuation

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, trade and other payables, and long-term debt. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit risk

Credit risk arises from the potential failure of a counterparty to a financial instrument to meet its obligations and causes the other party to incur a financial loss. The Company considers credit risk to be insignificant as it primarily consists of balances with [illegible] and trade receivables from [illegible]. The carrying amounts of financial assets recorded in the financial statements, net of any allowances for doubtful accounts, represent the Company's maximum exposure to credit risk. [illegible] and other assets. Information, STC has [illegible] the credit risk and credit ratings of counterparties. Credit risk [illegible] makes the Company [illegible] and [illegible] to manage credit risk.

The Company expenses its research and development costs as incurred. These expenses consist primarily of salaries and related personnel costs, fees paid to consultants and outside service providers, and other expenses relating to the design, development, testing and enhancement of the Company's product candidates. Research and development costs were $[illegible] million for the year ended December 31, 2014 and $[illegible] million for the year ended December 31, 2013.

The following tables set out details of the age of receivables and movements in the provision for doubtful debts:

	2014	2013
	(Thousands of Dollars)	
Current	$ [illegible]	$ [illegible]
Up to three months past due date	[illegible]	[illegible]
Greater than three months past due date	[illegible]	[illegible]
	[illegible]	[illegible]
Allowance for doubtful accounts		
Opening balance	[illegible]	[illegible]
Amounts written off	[illegible]	[illegible]
Allowance for doubtful accounts		
Closing balance	[illegible]	[illegible]
Net trade receivables	$ [illegible]	$ [illegible]

6. CAPITAL MANAGEMENT

The Company's objectives when managing its capital structure is to maintain adequate working capital to fund its research and development activities for the next [illegible] years.

The Company's capital is managed by way of ordinary equity consisting of [illegible] ordinary shares. The Company's Constitution provides that the Company may, subject to the Corporations Act and the Listing Rules, pay dividends out of profits or reserves. The Company is not subject to any externally imposed capital requirements. The Company's capital risk management strategy is [illegible].

The Company's capital structure is as follows:

	2014	2013
	(Thousands of Dollars)	
Cash and cash equivalents	$ [illegible]	$ [illegible]
Equity attributable to equity holders of the parent	[illegible]	[illegible]
	$ [illegible]	$ [illegible]

The Company's capital risk management policy remains unchanged from the prior year. The Company's capital risk management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company considers its capital to comprise its ordinary share capital and accumulated losses. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt. The Company's capital risk management policy remains unchanged from the prior year.

7. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company's inventories consist of [illegible] and are expensed when [illegible].

8. ASSETS HELD FOR SALE

(Thousands of Dollars)

	Cost	Accumulated Depreciation	2014 Net Book Value	2013 Net Book Value
[illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]

At December 31, 2014, the Company has classified [illegible] as assets held for sale. The assets are being actively marketed and are available for immediate sale in their present condition. The Company expects to complete the sale within the next 12 months. The following table sets out details of these assets and their fair value:

5. PROPERTY AND EQUIPMENT
(Thousands of Dollars)

	Land	Buildings	Vehicles	Other Equipment	Total
Cost or deemed cost					
Balance at December 31, 2012	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Additions	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Assets held for sale					
Disposals			[illegible]	[illegible]	[illegible]
Balance at December 31, 2013	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Balance at December 31, 2013	**4,654**	**33,873**	**17,716**	**8,566**	**64,809**
Additions	-	948	2,248	233	3,429
Assets held for sale			(3,929)		(3,929)
Disposals			-	(53)	(53)
Balance at December 31, 2014	$ **4,654**	$ **34,821**	$ **16,035**	$ **8,746**	$ **64,256**
Depreciation					
Balance at December 31, 2012	$	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Depreciation for the year	-	[illegible]	[illegible]	[illegible]	[illegible]
Assets held for sale					
Disposals			[illegible]	[illegible]	[illegible]
Balance at December 31, 2013		[illegible]	[illegible]	[illegible]	[illegible]
Balance at December 31, 2013	**-**	**6,926**	**10,453**	**7,153**	**25,410**
Depreciation for the year	**-**	**986**	**1,578**	**553**	**3,373**
Assets held for sale	**-**	**-**	**(3,915)**	**-**	**(3,915)**
Disposals	**-**	**-**	**-**	**(48)**	**(48)**
Balance at December 31, 2014	$ **-**	$ **12,860**	$ **10,085**	$ **7,658**	$ **30,531**
Carrying Amounts					
At December 31, 2013	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
At December 31, 2014	$ **4,654**	$ **22,021**	$ **7,949**	$ **1,088**	$ **35,070**

Capital expenditures incurred during the year totalling $ [illegible] (2013 - $ [illegible]) on the construction of the Sydney Warehouse facility are included in buildings. Construction is not yet complete.

10. NON-MONETARY TRANSACTIONS

[illegible]

11. CAPITAL GRANT

[illegible]

[illegible]

[illegible]

		2014		2013
		(Thousands of Dollars)		
[illegible]	$	[illegible]	$	[illegible]
Capital grant [illegible]		[illegible]		[illegible]
[illegible]				
[illegible]		[illegible]		-
Capital grant [illegible]		[illegible]		[illegible]
	$	[illegible]	$	[illegible]

12. OPERATING GRANT

[illegible]

13. PENSION CONTRIBUTIONS

[illegible]

[illegible]

14. NET CHANGE IN NON-CASH WORKING CAPITAL

		2014		2013
		(Thousands of Dollars)		
(Increase) Decrease in:				
[illegible]	$	[illegible]	$	[illegible]
[illegible]		[illegible]		[illegible]
[illegible]		[illegible]		[illegible]
		[illegible]		[illegible]
Increase (Decrease) in:				
[illegible]		[illegible]		[illegible]
	$	[illegible]	$	[illegible]

15. RELATED PARTY TRANSACTIONS

[illegible]

[illegible]

[illegible]

[illegible]

Key management personnel compensation

Key management personnel compensation [illegible]

	2014	2013
	(Thousands of Dollars)	
Short-term employee benefits	$ [illegible]	$ [illegible]
Post-employment benefits	[illegible]	[illegible]
	$ 1,369	$ 1,253

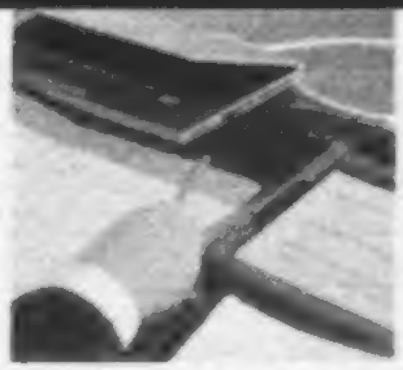
16. COMMITMENTS

The Bank has the following commitments existing at December 31, 2014:

a. $450 thousand for the purchase of new point of sale terminals. The [illegible] was delivered in January 2015.

b. $2,291 thousand for the design and construction of the Bank's headquarters facility. This work is in progress and is scheduled [illegible] the first quarter of 2015.

STC follows a framework of rules and practices by which the Board of Directors ensures accountability, fairness, and transparency.



CORPORATE GOVERNANCE (PAGE 58)

STC's Board of Directors are stewards for the organization representing the shareholder.

BOARD COMMITTEES (PAGE 59)

Committees assist the Board in fulfilling its obligations and meetings its responsibilities.

CORPORATE GOVERNANCE SCORECARD (PAGE 61)

STC's team of professionals is critical to the organization's success and attainment of the Company's vision of being the best passenger and freight transportation company in Canada.

AUTHORITY

Established in 1946, the Saskatchewan Transportation Company (STC) is a Crown Corporation of the province of Saskatchewan. STC is subject to *The Crown Corporations Act, 1993* which provides the Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's Crown Corporations, the authority to establish the direction of the Corporation.

BOARD OF DIRECTORS

Role of the Board

The primary function of the STC Board of Directors (Board) is to represent the shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board oversees Executive Officers who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements board approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day to day functions. The Minister responsible for STC and Cabinet are tasked to communicate the broad objectives for the Corporation and empower the Board to oversee the functions of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with "best practices" for corporate governance, as developed by the Canadian Securities Administrators.

Board Compensation

The remuneration and expense schedules for the Board are determined by CIC and adhered to by STC.

In 2014, Directors were paid an annual retainer and per diems.

Board Chair Retainer (Annual)	$20,000
Board Member Retainer (Annual)	$8,000
Audit, Human Resources/Governance, Pension (Annual)	$2,400
Other Committee Chair Retainer (Annual)	$2,000
Committee Member Meeting Per Diem	$400

Board Priorities and Risk Oversight

In 2014, the Board of Directors focused on areas that could positively impact the organization's financial performance and risk mitigation. Scheduled reviews of the organizational risk management framework ensure the Board understands that effective risk management processes are in place and functioning effectively. Approval of the annual business plan ensures that management understands the direction of the Company.

Board Composition

The GTC Board consists of independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice Chair of the Board.

In 2014, the composition of the Board was as follows:

JONATHAN ABRAMETZ

Jonathan's ability to be creative, keep the meeting goals focused, but still have fun helps clients, legal assistant clients, and personal injury clients. Mr. Abrametz gained his Chartered Director designation in 2007. He is involved in several charitable and community organizations, including the Kitchener Chapter of Variety Children, Jonathan was the Variety Children Ambassador and co-chair for the Sixth Annual Variety Kitchener-Waterloo Children's Gala.

Board Chair
Audit and Finance Committee Member
Compensation Committee Member

JOCELYN HUTCHINSON

Manager of Marketing and Board Development at the Waterloo Chambers Building, Ms. Hutchinson is a well-rounded professional in Canada's service industry in partnership with Sara Dr. Past experience as a Region of Waterloo City Councillor Ward 2 from 2006 - 2010. As an elected Councillor, participated in the City's urban development and policy body. Currently she is a member of the Sixth Avenue Ad Hoc Committee, Chairperson of Hope United Services Initiative, Wilfrid Laurier University Board of Governors and Co-Chair Search Committee. As a previous Vice President of Rotary Queen City Kitchener Club and Committee Member of Volunteer Talent Match, Organizing Committee and continues to be a regular participant in local charities and community organizations.

Board Vice-Chair
Audit and Finance Committee Member
Compensation Committee Member

JOHN BREAKEY

Former Senior VP, Land and Chief Sustainability Officer, Cameco Corporation. Former Vice-President of Land and a shareholder in a private Saskatchewan based oil company. Owner and manager of those other family corporations involved in oil and land operations. Past experience on a Saskatoon Freestyle with Karen Diehl Hockey Board. Regular participant in local triathlon and community organizations.

Governance and Corporate Responsibility Committee Chair
Compensation Committee Member

AMANDA CHASHLEY

Big River-based entrepreneur for twenty years. Highly involved in communities as she establishes with many sports and cultural boards and associations. Sports director for Ladder Valley Community Centre Co-op, Big River and District Recreation and Cultural Board, Kelsport, and Five Seasons for the Meadow Sports Board. Also involved in various community fundraising projects each year.

Governance and Corporate Responsibility Committee Member

VERONIQUE LARIVIERE

Saskatoon-based Communications Manager (IMERYS Minerals Canada Inc.), develops, implements and oversees communications, stakeholder engagement and community investment strategies and initiatives. Ms. LaRiviere also provides Leadership coach/mediation services. She holds a Bachelor of Arts in Applied Foreign Languages and a Master of Business Administration. She is involved in several charitable, community and professional organizations, including as board member of Women in Mining/Women in Nuclear Saskatchewan and member of the Saskatchewan Mining Association Public Affairs Committee.

Governance and Corporate Responsibility Committee Member

MERVIN MASSIER

Saskatoon based consultant. Banking/financial background includes senior positions with Canadian Financial Corporate Banking and Barclays Bank of Canada. Past membership with the Saskatoon Chamber of Commerce, Saskatchewan Chamber of Commerce, Prairie Implement Manufacturers Association, the North Saskatoon Business Association, and Treasury Management Association of Canada.

Audit and Finance Committee Member

MERVIN SCHNEIDER

Prince Albert-based retired Chartered Accountant, serving over 38 years in public practice with Deloitte & Touche including terms as Executive Committee Office Managing Partner and Audit and Assurance Partner. Currently operating a small business consulting practice and serving on a number of profit and non-profit boards including S. C. since 2001. Completed training and received Chartered Director (C.Dir.) designation from McMaster University in 2012.

Audit and Finance Committee Chair
Compensation Committee Member

DELMER WAGNER

Moose Jaw based Director of Education, retired. Over thirty-one years of experience in the education field, including Director of Education, Superintendent of Student Services, Principal, Vice-Principal and teacher. Published author of numerous education-related articles and studies. Occasional provider of labour administrative services within the education sector. Associate member of the League of Education Administrators, Superintendents and Directors. Involved in various community-based pursuits, currently serving as Grand Knight for the Knights of Columbus and president of Heartland Hospice Moose Jaw.

Governance and Corporate Responsibility Committee Member

BOARD COMMITTEES

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own "terms of reference, updated annually, which outlines its authority and areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex officio on all Board Committees not already appointed to, and may attend any meeting as appropriate.

The following committees acted in an advisory capacity to the Board of Directors in 2014. Committee members are listed as of December 31, 2014.

AUDIT AND FINANCE

Chair: Marion Schneider
Committee Members: Jonathan Abrahamtz, Jocelyn Hotchkiss, Marvin Rubner

The Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- overseeing the overall financial management of SIC to ensure the integrity of internal financial controls and reporting practices;
- overseeing the provision of relevant and timely financial information to the Board;
- the appointment of the external auditor; and
- ensuring appropriate follow-up of audit results.

GOVERNANCE AND CORPORATE RESPONSIBILITY

Chair: John Sinclair
Committee Members: Fawside Chartrand, Veronique Fortier, Deborah Wagner

The Governance and Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- developing and recommending best corporate governance practices and the annual strategic planning processes;
- overseeing human resource strategies, programs and practices;
- ensuring the Corporation is proactive in addressing safety, health, and environment issues, and is in compliance with all statutory requirements;
- reviewing the Board's Committee terms of Reference and the skills matrix required for Board complement;
- managing evaluations of the Board, Committees, Chair and Director performance; and
- providing oversight to the Corporation's code of conduct and ethics.

Compensation

Chair: Jonathan Abramatic

Committee Members: John Brindley, Jocelyn Proteau, Marvin Schneider

The Compensation Committee assists the Board in fulfilling its obligations and responsibilities for:

- making recommendations on the recruitment of the President and CEO;
- making recommendations on the goals and objectives, conducting annual performance evaluations, and recommending a compensation package for the President & CEO; and
- making recommendations on Executive Compensation in accordance with GNC's Executive Compensation Framework.

CORPORATE GOVERNANCE SCORECARD

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices*. These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance. While the Saskatchewan Transportation Company is not a publicly traded company, its practices are benchmarked against these current industry best practices.

CORPORATE GOVERNANCE SCORECARD

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2004
COMPOSITION OF THE BOARD	
2.1 The Board should have a majority of independent directors.	✓ **Consistent with CSA Guidelines** All directors of the STC Board are non-executive members.
2.2 The chair of the board should be an independent director. In the event it is not appropriate, an independent director should be appointed to act as "lead director". However, either an independent chair or an independent lead director should act as the effective leader of the board and ensure that the board's agenda will enable it to successfully carry out its duties.	✓ **Consistent with CSA Guidelines** The Chair of the Board is an independent director who brings effective leadership to all Board activities through meeting agendas, that Chair ensures that all required information and decision items are brought to the Board in a timely and effective manner enabling the Board to successfully carry out its mandate in an accountable way. The Chair also serves as liaison between the Board and the Chief Executive Officer.
MEETINGS OF INDEPENDENT DIRECTORS	
2.3 The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.	✓ **Consistent with CSA Guidelines** As a standing agenda item, the board holds an "in camera session" without management. Following all such regular meetings, all directors are brought back in the session, and the chair of the committee reports on them, in order to ensure [illegible].
BOARD MANDATE	
2.4 The board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the corporation, including responsibility for: (a) to the extent feasible, satisfying itself as to the integrity of the chief executive officer (CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization; (b) Adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business; (c) The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; (d) Succession planning, including appointing, training and monitoring senior management; (e) Communications with shareholders and other stakeholders;	✓ **Consistent with CSA Guidelines** The function of the Board is found in the mandate of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fiduciary responsibility of the Board is not set forth in the articles of the Corporation, the Board has a responsibility to ensure appropriate processes and controls are in place for managing risk, ensuring integrity of internal control and management information systems, establishing appropriate corporate governance practices, and planning for succession with respect to senior management. The Board of Directors has a written Terms of Reference which is reviewed annually. These Terms of Reference address the responsibilities and particular duties. (c) One of the functions of the Audit Committee is to identify, review, and evaluate the key risks of the business of the Corporation. Following a process which is in place, the Chief Executive and Corporate Responsibility Committee have established reporting mechanisms to ensure that a culture of risk awareness is maintained. [illegible]

CSA Corporate Governance Policy, NP 58-201	SIC Governance Practices 2014
BOARD MANDATE (continued)	
d) The board's internal control and management information systems; and e) Developing the board's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the board. The results of the board's assessment should set out the measures for improving its effectiveness in the future. The board may wish to consider whether it is necessary to provide shareholders with a process to annually conduct the assessment mentioned. It is also important that the assessment process, including basic criteria and responsibilities as well as frequency, be disclosed to shareholders. In addition, the board may wish to consider whether it is necessary to disclose the attendance of board members at board meetings and whether failure of a director to meet a minimum attendance level should result in the director's removal from the board. Boards may consider establishing a corporate governance committee to consider these issues. A corporate governance committee should have a majority of independent directors, and it is increasingly common to have a "non-management" chairman.	b) The Board outlines some of its principal responsibilities in its Board Charter, which is available on the Corporation's website at www.sicgroup.com. These responsibilities include, but are not limited to, the following: i) The Board participates directly and through its committees in the review and approval of the Corporation's strategic planning process, which takes into account, among other things, opportunities and risks of the business. The Board approves the Corporation's strategic plan, which takes into account the opportunities and risks of the business. The Board reviews the Corporation's performance against the strategic plan and other objectives on a regular basis; ii) The Board is responsible for identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks. The Corporation has established a risk management framework and internal control procedures. The Board reviews the Corporation's risk management framework at least annually to satisfy itself that it continues to be sound; iii) The Board has established the necessary policies and procedures for the Corporation and has delegated responsibility to the Chief Executive Officer for the day-to-day management of the Corporation's business. The Board has also established appropriate structures and procedures to allow it to monitor the business and affairs of the Corporation and, directly and through its committees, to exercise its decision-making responsibilities; iv) The Board has established a Code of Business Conduct and Ethics (the "Code") which is applicable to directors, officers and employees of the Corporation. The Board is responsible for monitoring compliance with the Code. Any waiver of the Code for directors or executive officers may only be granted by the Board. Any material change report filed with securities regulatory authorities that pertains to any conduct of a director or executive officer that departs from the Code will contain a statement that the change report includes a description of the departure from the Code that was granted a waiver by the Board; v) The Board has established procedures to enhance the effectiveness and efficiency of the Board and its committees. The Board has established a Corporate Governance and Nominating Committee (the "Governance Committee") to assist the Board in developing the Corporation's approach to governance issues and to lead the Board in its annual review of the Board's performance. The Governance Committee is also responsible for reviewing the Board's size and composition and recommending to the Board nominees for election or appointment to the Board. The Governance Committee is composed entirely of independent directors. See "Governance Committee" below for a description of the Governance Committee's responsibilities, powers and operation; vi) The Board has established a Compensation Committee (the "Compensation Committee") to assist the Board in discharging its responsibilities relating to compensation of the Corporation's directors and executive officers. The Compensation Committee is composed entirely of independent directors. See "Compensation Committee" below for a description of the Compensation Committee's responsibilities, powers and operation; vii) The Board has established an Audit Committee (the "Audit Committee") to assist the Board in discharging its responsibilities relating to the Corporation's financial reporting, internal control and management information systems, and the Corporation's compliance with legal and regulatory requirements. The Audit Committee is composed entirely of independent directors. See "Audit Committee" below for a description of the Audit Committee's responsibilities, powers and operation; viii) The Board has established a Health, Safety and Environment Committee (the "HSE Committee") to assist the Board in discharging its responsibilities relating to the Corporation's health, safety and environmental policies, programs and performance. The HSE Committee is composed entirely of independent directors. See "HSE Committee" below for a description of the HSE Committee's responsibilities, powers and operation; ix) The Board has established procedures to enhance shareholder understanding of the Corporation's business and affairs and to receive feedback from shareholders. The Board has established a Corporate Disclosure Policy which is available on the Corporation's website at www.sicgroup.com. The Board has also established procedures to receive shareholder feedback, which are described under "Shareholder Communication Policies" below; and x) The Board has established procedures to ensure the integrity of the Corporation's internal control and management information systems through the CEO/CFO Certification process and through work with both internal and external auditors. The Board has delegated to the Corporate Secretary responsibility for providing advice to the Governance and Corporate Responsibility Committee as follows: SIC surveys internal and external stakeholders to obtain their opinions about the Corporation's performance and practices. The results of the survey are reported to the Board by the Corporate Secretary. The Board, the CEO, and the Corporate Secretary then discuss the results of the survey and determine what, if any, actions should be taken.

CORPORATE GOVERNANCE SCORECARD (continued)

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
POSITION DESCRIPTIONS	
2.5 The board should develop clear position descriptions for the chair of the board and the chair of each board committee. In addition, the board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management responsibilities. The board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.	✓ **Consistent with CSA Guidelines** The Canada Corporations Act (CCA) requires that (i) the Chair of the Board serve as the primary author of the Chair of the Board Terms of Reference; (ii) that the primary duties of the Chair of the Board and the Chief Executive Officer (CEO) be separate; and (iii) that the Chair, Committee Chairs, and the CEO: The Board's Terms of Reference sets out matters that require Board approval and delegates other matters to management. The Board annually approves a strategic business plan and performance management framework which includes the Company's objectives and goals (corporate scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these and other objectives.
ORIENTATION AND CONTINUING EDUCATION	
2.6 The board should ensure that all new directors receive a comprehensive orientation. All new directors should be provided with copies of the board and its committees' charters, as well as the CEO's and individual directors' expectations for role and responsibility of each director. Boards should also consider whether individual directors require continuing education in order to fulfill their duties and responsibilities as directors.	✓ **Consistent with CSA Guidelines** Orientation sessions are held between management and new directors, providing insights into the business and its operations. When necessary or requested, directors are provided the opportunity to participate in additional orientation sessions. The Board also receives regular presentations and materials on a variety of topics relevant to the Company's business. Directors may also attend seminars and conferences, at the Company's expense, to assist them in their duties.
2.7 The board should periodically assess the effectiveness and contribution of the board as a whole, its committees and individual directors. Boards should consider whether peer reviews are appropriate in light of the board's current circumstances.	✓ **Consistent with CSA Guidelines** The Board's Governance Committee oversees the Company's orientation and education programs. All STC Board members have been engaged in the Company's business for many years. Throughout the year,

CSA Corporate Governance Policy NP 58-201	STIC Governance Practices 2014
CODE OF BUSINESS CONDUCT AND ETHICS	
3.8 The board should adopt a written code of business conduct and ethics (the code). The code should be applicable to directors, officers and employees of the issuer. The code should establish standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues: (a) Conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest. (b) Protection and proper use of corporate assets and opportunities. (c) Confidentiality of corporate information. (d) Fair dealing with the issuer's security holders, customers, suppliers, competitors and employees. (e) Compliance with laws, rules and regulations. (f) Reporting of any illegal and unethical behaviour.	✓ **Consistent with CSA Guidelines** Directors and officers must comply with the Ontario Corporations Act, 1990 Part V, which includes the duty and care duties of the act and ... item number. The Board must also comply with CIC's Directors' Code of Conduct, which was issued to ... directors of ... its subsidiary Chem Boards. A copy of the Directors' Code of Conduct can be obtained on request to the Corporate Secretary to the Board. The Board shall declare any ... potential conflict with the Directors' Code of Conduct. Officers and employees of the Corporation must comply with CIC's Code of Ethical Conduct. Management reports on the compliance with the Corporation's Code of Ethical Conduct to the Governance and Corporate Responsibility Committee at each of its regular meetings.
3.9 The board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the board on a case-by-case basis only.	✓ **Consistent with CSA Guidelines** The Governance and Corporate Responsibility Committee has the duty and responsibility to oversee the Directors' Code of Conduct, report on compliance with the code and provide advice to the directors on conflict of interest.
NOMINATION OF DIRECTORS	
3.10 The board should appoint a nominating committee composed entirely of outside (non-executive) directors.	✓ **Consistent with CSA Guidelines** The Governance and Corporate Responsibility Committee functions as the nominating committee and is composed of all independent board members.
3.11 The nominating committee should have a charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal procedures, structure and operations (including authority to delegate to subcommittees), and manner of reporting to the board. In addition, the nominating committee should annually review and assess ...	✓ **Consistent with CSA Guidelines** The Governance and Corporate Responsibility Committee follows Terms of Reference established by the committee's board and periodically adjusts as necessary to the Board's ... [illegible] ... duties and responsibilities. Each member of the committee has been independently reviewed by the committee and the Board of Directors.

CORPORATE GOVERNANCE SCORECARD (continued)

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2016
NOMINATIONS OF DIRECTORS (cont'd)	
to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties. If an issuer is legally required by contract or otherwise to provide third parties with the right to nominate directors, the selection and nomination of those directors need not be the responsibility of an independent nominating committee.	If the Committee decides it is necessary, it has the authority to engage outside counsel and advisors to provide it with the legal, financial, and other expertise it needs. There are no contractual arrangements with third parties to nominate directors to the Board of Directors.
3.12 Prior to conducting a new search for candidates to the Board, the Board should adopt a process for identifying new candidates. (a) Each Board member's competencies and skills and the Board as a whole should be assessed, in order to determine the skills and experience that the particular competencies and skills required for one issuer may not be the same as those required for another. (b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may all materially affect the boardroom dynamic. The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision-making. In carrying out each of these functions, the Board should consider its duty to act and report in the manner required by corporate law.	✓ **Consistent with CSA Guidelines** The Board's nomination process is as follows: as the Terms of Reference of the Governance and Corporate Responsibility Committee require, at least once a year, the Board and the members of the Committee undertake an annual review of the Board's composition. As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members, eight members are appointed by Order in Council.
3.13 **The nominating committee should be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders.**	✓ **Consistent with CSA Guidelines** As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and may put forward for consideration, qualified candidates to fill vacant positions, which are then forwarded to GIC for consideration and decision. The only exception is that the legislation authorizes [illegible] appointments and all appointments are by Order in Council.

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
NOMINATION OF DIRECTORS (continued)	
3.14 In making its recommendations, the nominating committee should consider: (a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competencies and skills that the Board considers each existing director to possess; and (c) the competencies and skills each new nominee will bring to the boardroom.	✓ **Consistent with CSA Guidelines** The Committee reviews the composition of the Board and the skills of current directors which is set out in a skill matrix and identifies gaps if any with or the Board. Executive Chairman is responsible for considering how the skills and competencies of each candidate fit with the skill gaps identified by the Board and for determining that nominees have the time and resources to fulfill their obligations as a board member.
COMPENSATION	
3.15 The board of directors should appoint a compensation committee composed entirely of independent directors.	✓ **Consistent with CSA Guidelines** The Board appoints a Compensation Committee. The composition of this committee is the Board Chair, the Vice-Chair, the Chair of Governance and Corporate Responsibility and the Chair of Audit and Finance.
3.16 The compensation committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure, operations and reporting, including any authority to delegate to subordinate members or others. In addition, the compensation committee should be given sufficient authority to engage and compensate any outside advisor that it determines to be necessary to permit it to carry out its duties.	✓ **Consistent with CSA Guidelines** The Compensation Committee is established by the Board of Directors and has a Terms of Reference that establishes the duties and responsibilities of the Committee. The Committee has the power, if necessary, to hire the services of outside consultants or external advisors to provide advice to the Committee on executive compensation matters.
3.17 The compensation committee should have as one of its responsibilities: (a) reviewing and approving corporate goals and objectives relevant to the CEO's compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining or making recommendations to the board with respect to the CEO's compensation level based on this evaluation; (b) reviewing recommendations of the CEO with respect to the CEO's incentive-compensation and equity-based plans that are subject to board approval, and making changes as necessary; and (c) reviewing executive compensation disclosure before it is publicly disclosed.	✓ **Consistent with CSA Guidelines** The Compensation Committee considers individual performance evaluations of the President and CEO and recommends ranking to the Board for approval. They also make recommendations on executive compensation in accordance with STC's Executive Compensation Framework. In respecting the CEO's executive compensation, the Compensation Committee's responsibilities are to review, recommend to the Board, recognize and compensate participants, as necessary, to maintain an appropriate level of compensation that aligns with the interests of shareholders. The Board reviews and approves the recommendations of the Compensation Committee.

CORPORATE GOVERNANCE SCORECARD (continued)

CSA Corporate Governance Policy, NP 58-201	STC Governance Practices 2014
COMPENSATION (continued)	
	...ority to which the targets are achieved determines management's eligibility for performance compensation. Executive compensation decisions are subject to...ew guidelines established by CIC. Director compensation is determined by CIC. CEO, officer and employee compensation data, including amount in the form of an annual...Crown payroll, report is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payroll is...mailed and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under the Crown Employment Contracts Act, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.
REGULAR BOARD ASSESSMENTS	
3.10 The board, its committees and each individual director should be regularly assessed regarding their effectiveness and contribution. An assessment should consider: (a) the role of the board or a board committee, the number of meetings held; (b) for the case of an individual director, the appropriate position and competencies, as well as the director's ability to work with other directors as a member of the board.	✓ **Consistent with CSA Guidelines** The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board. Performance evaluations of the CEO, subsidiary Crown Corporation heads are conducted on a three year cycle. All Directors participate in the Chair and Board evaluation. Individual assessments of CEOs and SOA...the CEO and the Board and the Board Chair were also added. ...he Board and its committees is reviewed annually. Individual Directors are...Directors' skills are reviewed annually. Individual directors are profiled on a skills matrix and are assessed as part of a regular peer review.

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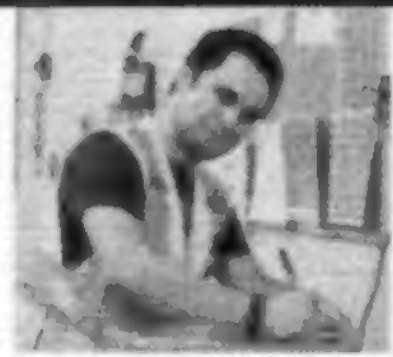
STC

CORPORATE DIRECTORY

STC's dedicated staff work hard to provide valuable passenger and freight services across the broad provincial network.



DIVISIONS OF STC (PAGE 72)

STC's divisions work together towards the Company's vision to be the best passenger and freight company in Canada.

CORPORATE DIRECTORY (PAGE 74)

STC's senior team provide leadership and direction in the achievement of the strategic goals.

ROUTE MAP (PAGE 76)

STC's network spans the province and provides passenger and freight services to 253 communities.

CUSTOMER SERVICES AND OPERATIONS

The Customer Services and Operations Division is responsible for passenger, parcel express, and maintenance services. The Division includes the following components:

Passenger Services

Passenger Services is responsible for assuring passengers enjoy safe and reliable transportation. This area handles functions that include operating motor coaches, issuing passenger tickets, scheduling, maintenance of tariffs, dispatching of buses and drivers, managing the network of agencies, and the maintenance and management of buildings. In addition to regular passenger services, charter services are also operated and managed in this area.

Parcel Express Services

Parcel Express Services is responsible for the freight and baggage handling for all STC coaches and connecting carriers. Door-to-door pick-up and delivery services are available in Regina, Saskatoon, Prince Albert, and in some designated rural agencies.

Maintenance Services

The primary responsibility of Maintenance Services is to perform inspections and preventative maintenance services, maintain clean, comfortable coaches and provide storage for all STC vehicles. These duties are performed in the service garages in Saskatoon and Regina and also in Lloydminster. The group handles on the road servicing of STC coaches. Maintenance Services handles the procurement of all corporate vehicles. Towing coach services including cleaning, transportation, and storage are also provided on a contract basis for coaches of other carriers.

CORPORATE SYSTEMS AND TECHNOLOGY

The Corporate Systems and Technology Division is responsible for the reliability and integrity of data, electronic communications, software applications and web services at STC. By implementing and maintaining efficient business processes through the introduction of new technologies, it ensures that ticketing and freight systems across Saskatchewan are capable of serving STC's customers in a quick and convenient manner.

The Division provides technical support across the province to employees operating a variety of systems that support the business, as well as to major customers that have STC shipping systems in their distribution centres.

The Corporate Systems and Technology Division is also responsible for procurement and management of all corporate hardware and software.

FINANCE

The Finance Division provides the information required to monitor STC's performance and make effective decisions. The division delivers accurate financial reporting, budgeting and forecasting services and assesses requirements for, and monitors, internal control functions. In addition, specific groups within the Division are responsible for billing and collection of revenue, issuing payments to suppliers, coordinating reports from agencies, and processing invoices with partner carriers.

HUMAN RESOURCES AND PAYROLL

The Human Resources and Payroll Division provides leadership and strategic human resource advice and support to ensure STC has a strong and committed workforce. To ensure a standard of excellence, the Division delivers human resource services, including recruitment and retention, labour relations, human resource policy and planning, learning and development, organizational development and design, payroll and benefits administration, occupational health and safety and, diversity and rehabilitation/return to work programs. The Division plays a key role in representing the employer during collective agreement bargaining with the Amalgamated Transit Union Local 1594 and contributing to a positive employer and employee relationship.

STRATEGIC PLANNING AND COMMUNICATIONS

The Strategic Planning and Communications Division is responsible for corporate promotion, communications and strategic planning. Promotional advertising, corporate branding, and public relations are tools used to drive revenues for the organization in both passenger and parcel express services. Fostering effective communications between the Company and Crown Investments Corporation of Saskatchewan (CIC), the media, and the Government of Saskatchewan are important services provided by this area.

The Division establishes STC's planning process, its strategic business plans and reports on performance and governance compliance. It also has responsibility for privacy of information and requests under freedom of information legislation.

EXECUTIVE OFFICERS

Compensation Philosophy

STC follows the compensation philosophy as outlined in the Crown Investments Corporation of Saskatchewan Crown Executive Compensation Policy, Procedures and Guidelines.

Salary ranges for STC's Executive Team, as of December 31, 2014, are:
President and Chief Executive Officer: $146,698 to $261,236
Other Executive members: $105,944 to $190,903

[redacted]
President and Chief Executive Officer
Shawn Grice was appointed as STC's President and Chief Executive Officer in August 2010, after acting in the role since February 2010. Before becoming CEO, Mr. Grice served as Chief Financial Officer (CFO) at STC since 1998. Previous to his joining the company, Mr. Grice held roles with Crown Investments Corporation of Saskatchewan (CIC), Saskatchewan Department of Finance, and KPMG Peat Marwick Thorne. Mr. Grice graduated with a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan, holds a Chartered Professional Accountant (CPA, CA) designation from the Canadian Institute of Chartered Accountants (CICA), obtained the Chartered Director (C.Dir.) designation in 2012 from The Directors College (a joint venture of McMaster University and The Conference Board of Canada) and has also completed the CICA In-depth Taxation Program. Mr. Grice is a board member with the Canadian Bus Association. He is also a board member and past Finance Chair with the Regina Downtown Business Improvement District.

CRYSTAL LASHER
Executive Director Human Resources and Payroll
Crystal Lasnek joined STC in April 2013 as Executive Director Human Resources and Payroll. Prior to joining STC, she held progressively complex HR Human Resources positions from 2003 to 2013 with the University of Regina, Mayer Norris and Wilson LLP and the City of Regina. Ms. Lasnek holds a Bachelor of Administration degree from the University of Regina and a certificate in Organizational Development from Queen's University Industrial Relations Centre.

DEAN MADDEN
Chief Operating Officer
Dean Madden began working with STC as an employee of the Weyburn Bus Depot in 1980. In May of 1993, Mr. Madden joined STC as a Baggage and Express Agent in Regina. Since that time Mr. Madden worked in various areas of the Company, moving into senior management positions and culminating in the position of Chief Operating Officer as of September 2013. Mr. Madden holds a Master of Business Administration degree from the University of Regina and is currently a board member with the Canadian Bus Association.

CANDACE PHILIPS

Executive Director Strategic Planning and Communications

Candace Philips joined STC in December 2012. Prior to that, Ms. Philips was employed at Tourism Saskatchewan from 2006 to 2012 as the Director of Marketing, the Vice President, and the Acting President and CEO. She has also held roles with Saskatchewan Trade and Export Partnership, Saskatchewan Chamber of Commerce, and Promotion Consulting Group. Ms. Philips graduated with a Bachelor of Commerce (Honours) and Distinction from the University of Saskatchewan, holds a Certified International Trade Professional (CITP) designation and is a graduate of the Palladium Kaplan Norton Balanced Scorecard Certification Program.

BRIAN ROULSTON

Executive Director Corporate Systems and Technology

Brian Roulston was appointed Executive Director, Corporate Systems and Technology in February 2013. Prior to that, Mr. Roulston worked at STC's Manager of Corporate Information Technology from 2008 to 2013, and Technical Analyst from 2002 to 2004. Mr. also held prior roles at Saskatchewan Environment and SaskTel. Mr. Roulston graduated with a Diploma in Computer Information Systems from the Saskatchewan Institute of Applied Science and Technology, and holds designations including Information Systems Professional (ISP) and Certified Information System Security Professional (CISSP).

JASON SHERWIN

Chief Financial Officer

Jason Sherwin was appointed Chief Financial Officer in April 2011, after acting in the role since February 2010. Mr. Sherwin rejoined the Company in January 2009 as Director of Finance, having worked with STC previously from 1999-2004 as Assistant Controller. Prior to 2009, Mr. Sherwin was employed with Greystone Managed Investments Inc. as Manager, Real Estate Portfolio Administration and as Controller with PWI Group. Mr. Sherwin also held accounting positions with Monsanto New Holland and KPMG. He graduated with a Bachelor of Commerce (Distinction) from the University of Saskatchewan and is a holder a Chartered Professional Accountant (CPA, CA) designation.

ROUTE MAP

As of December 31, 2014

2014 AT A GLANCE

- Established in 1946
- Travelled approximately 2.9 million scheduled miles (4.7 million kilometres), serving 253 Saskatchewan communities
- Had 176 agents operating in Saskatchewan
- Overall ridership of 261,531 passengers (2013: 276,113)
- The Youth Promotion in July and August saw just under 8,900 riders
- Transported over 33,500 seniors during the seat sales in May, June, September and October
- Passenger satisfaction rating at 94 per cent (2013: 94 per cent)
- Parcel express customer satisfaction rating of 97 per cent (2013: 96 per cent)
- $16.6 million of revenues (2013: $16.4 million)
- $30.2 million of operating expenses (2013: $29.8 million)
- $3.4 million of capital expenditures (2013: $3.3 million)
- $40.1 million of assets (2013: $39.6 million)
- Operating subsidy requirement of $10.3 million
- Capital subsidy of $3.3 million
- Maintains its head office in Regina
- Owns and operates passenger and parcel express terminals in Regina, Saskatoon and Prince Albert
- Operates a maintenance facility in Saskatoon and one in Regina
- Has a fleet of 43 coaches, 35 per cent of which are wheelchair-accessible, varying in size from 22 seats to 55 seats, as well as a freight truck and 27 freight trailers
- Employs 229 people; approximately 81.2 per cent of STC's workforce is unionized (186 out of 229 as at December 31, 2014)
- The Amalgamated Transit Union Local 1374 represents the in-scope employees
- $13.2 million of annual payroll (2013: $13.2 million)

RIDE IN COMFORT. RIDE SAFELY. RIDE WITH STC.